

## Notre Dame Law School NDLScholarship

---

Journal Articles

Publications

---

2013

# Confusion Isn't Everything

Mark McKenna

*Notre Dame Law School*, [markmckenna@nd.edu](mailto:markmckenna@nd.edu)

William McGeeveran

Follow this and additional works at: [https://scholarship.law.nd.edu/law\\_faculty\\_scholarship](https://scholarship.law.nd.edu/law_faculty_scholarship)



Part of the [Intellectual Property Law Commons](#)

---

### Recommended Citation

Mark McKenna & William McGeeveran, *Confusion Isn't Everything*, 89 Notre Dame L. Rev. 253 (2013-2014).

Available at: [https://scholarship.law.nd.edu/law\\_faculty\\_scholarship/1061](https://scholarship.law.nd.edu/law_faculty_scholarship/1061)

This Article is brought to you for free and open access by the Publications at NDLScholarship. It has been accepted for inclusion in Journal Articles by an authorized administrator of NDLScholarship. For more information, please contact [lawdr@nd.edu](mailto:lawdr@nd.edu).

## CONFUSION ISN'T EVERYTHING†

William McGeeveran\* and Mark P. McKenna\*\*

*The typical shorthand justification for trademark rights centers on avoiding consumer confusion. But in truth, this encapsulation mistakes a method for a purpose: confusion merely serves as an indicator of the underlying problems that trademark law seeks to prevent. Other areas of law accept confusion or mistake of all kinds, intervening only when those errors lead to more serious harms. Likewise, every theory of trademark rights considers confusion troubling solely because it threatens more fundamental values such as fair competition or informative communication. In other words, when it comes to the deep purposes of trademark law, confusion isn't everything.*

*Yet trademark law's structure now encourages courts to act otherwise, as if confusion itself were the ultimate evil with which trademark law is concerned and as if its optimal level were zero. Trademark adjudication increasingly fetishized confusion over the last half century while simultaneously expanding its scope to cover dramatically more situations. As a result, trademark rights conflicted more frequently with open markets and free speech. Even when special doctrines developed to protect those values, they tended to devolve back into confusion analysis. In many situations—often including examples such as trade dress, comparative advertising, or uses in expressive works—competing values get short shrift from a framework preoccupied with eradicating confusion of any description.*

*This Article analyzes causes of this phenomenon, problems that result, and possible cures. It begins with a historical analysis demonstrating how the growth of confusion reasoning overwhelmed inherent limits on trademark rights that once protected competition or communication values. It then explains the resulting damage. Sometimes courts penalize socially valuable but*

---

© 2013 William McGeeveran & Mark P. McKenna. Individuals and nonprofit institutions may reproduce and distribute copies of this Article in any format at or below cost, for educational purposes, so long as each copy identifies the author, provides a citation to the *Notre Dame Law Review*, and includes this provision in the copyright notice.

† We received many helpful comments from numerous colleagues as we developed the ideas in this Article. We are particularly grateful to Tom Cotter, Deven Desai, Dan Gifford, Eric Goldman, Laura Heymann, Mark Lemley, Ruth Okediji, Lisa Ramsey, Jay Tidmarsh, and Rebecca Tushnet for their thoughts. Thanks also to participants in conferences and workshops where one or both of us presented earlier versions of this project, including the 2011 Intellectual Property Scholars Conference, the 2012 Works-in-Progress in Intellectual Property conference, the academic track at the 2012 International Trademark Association Annual Meeting, the Berkeley IP Theory Seminar, the 2012 UCLA Entertainment, Media & IP Colloquium, and workshops at the Notre Dame Law School, the University of Minnesota Law School, and the Vanderbilt Law School. Finally, we appreciate research assistance from Catherine Mitros and Vincent Pham.

\* Associate Professor and Vance Opperman Research Scholar, University of Minnesota Law School.

\*\* Associate Dean for Faculty Development, Professor of Law, and Notre Dame Presidential Fellow, Notre Dame Law School.

*unlicensed uses of marks; even when they probably would not find the uses infringing, the high administrative costs imposed on defendants discourage such uses. Finally, the Article proposes a better alternative. Courts should identify categories of cases implicating competition or communication values at the outset of litigation and should handle them differently than ordinary cases. Sometimes courts should simply ignore confusion when enforcing trademark rights would cause too much damage to other values. In other cases, they should distinguish between types of confusion; when balanced against important competing values, minimal or temporary confusion need not be given the same weight as outright deception that diverts trade. Our recommended approach offers stronger and earlier protection for competition and communication. It also puts confusion detection back in its proper place—not as the ultimate purpose of trademark law, but its tool.*

## INTRODUCTION

Ask any law student to describe the purpose of trademark law and you're likely to get a simple answer: preventing consumer confusion. Indeed, you'd likely get the same simple answer from most trademark lawyers. Following in this path, courts tend to view confusion itself as the ill that trademark law seeks to cure and to assume that the optimal level of confusion is always zero. Both these propositions are wrong. The resulting errors undermine important values, such as fair competition and effective communication, which should lie at the heart of trademark law's protection.

The first proposition mistakes trademark law's mediate purpose for its ultimate purpose. Consumer confusion is but a symptom of the disease targeted by trademark law. Confusion ought to serve as a heuristic device to identify situations where certain bad consequences may follow, including diversion of trade and distorted purchasing decisions.<sup>1</sup> A small amount of confusion does not inevitably cause problems, and it might even prove beneficial in some cases where it serves as a prelude to greater understanding (which, as we repeatedly tell our first-year law students, it often does). Increasingly, however, courts have come to see elimination of consumer confusion itself as the alpha and omega of trademark law.

This trend has increased ever since courts began developing multi-factor tests for "likelihood of confusion" to measure infringement.<sup>2</sup> The Lanham Act now expressly identifies "confusion" as a basis for liability.<sup>3</sup> And the scope of that confusion, and therefore of trademark rights, has expanded radically. Courts (and later Congress) steadily added to the types of actionable confusion: concerning more relationships (such as "sponsorship or affiliation"); in connection with more protectable subject matter (such as product packaging and design); and beyond the point of sale (such as initial interest

---

<sup>1</sup> See Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010).

<sup>2</sup> For a history of the development of the multi-factor likelihood of confusion test, see Robert G. Bone, *Taking the Confusion Out of "Likelihood of Confusion": Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307 (2012).

<sup>3</sup> 15 U.S.C. §§ 1114, 1125(a) (2006).

or post-sale confusion).<sup>4</sup> This inexorable growth brought trademarks into much more frequent conflict with previously acceptable uses—often uses that serve other crucial values of a well-functioning trademark system.

The singular focus on confusion eventually displaced previous understandings of a trademark's purpose.<sup>5</sup> By 2013, experienced judges on the Second Circuit thought they were underscoring the absurdity of a fair use test applied by the district court when they pointed out that it “would lead to the dismissal of these claims without addressing what is beyond doubt the central question in considering consumer confusion: whether consumers were actually confused by the allegedly infringing product.”<sup>6</sup> Not only is this holding tautological, it assumes that every trademark case must turn on confusion. When it comes to the deep purposes of trademark law, however, confusion isn't everything.

The second error noted above—that the law always should strive to eliminate all confusion entirely—is related to the first. Courts routinely interpret statutory requirements by considering the classic question of the “mischief sought to be avoided” by the law.<sup>7</sup> This is especially so in an open-ended statute like the Lanham Act that delegates interpretive authority to the courts.<sup>8</sup> But if the mischief to be avoided by trademark law is confusion itself, courts understandably reason, then surely they should stamp it out whenever it appears.<sup>9</sup> This habit persists despite contrary indications in trademark doctrine. In a case involving descriptive fair use, the Supreme

4 For a full account of the expansion of confusion, see *infra* Section I.B.

5 See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007).

6 Kelly-Brown v. Winfrey, 717 F.3d 295, 307 (2d Cir. 2013).

7 73 AM. JUR. 2D *Statutes* § 71 (2012) (“In the construction of an ambiguous statute, it is proper to take into consideration the particular evils at which the legislation is aimed, or the mischief sought to be avoided . . .” (footnote omitted)); see *Awotin v. Atlas Exch. Nat'l Bank of Chi.*, 295 U.S. 209, 214 (1935) (“The prohibition would be nullified and the evil sought to be avoided would persist. . . . Such a construction of the statute is inadmissible.”); *Holy Trinity Church v. United States*, 143 U.S. 457, 463 (1892) (“[A]nother guide to the meaning of a statute is found in the evil which it is designed to remedy . . .”).

8 Pierre N. Leval, *Trademark: Champion of Free Speech*, 27 COLUM. J.L. & ARTS 187, 198 (2004).

9 While there is no absolute quantitative threshold for determining what level of confusion is actionable, courts have been persuaded by surveys showing 15% confusion, and sometimes even less. See, e.g., *Exxon Corp. v. Tex. Motor Exch. of Hous., Inc.*, 628 F.2d 500, 507 (5th Cir. 1980) (finding a 15% level of confusion strong evidence of likelihood of confusion); *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1061 (2d Cir. 1979) (upholding the district court's finding that a 15–20% level of confusion corroborates likelihood of confusion); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 279 (7th Cir. 1976) (finding that a 15% level of confusion was neither small nor de minimis). In one case, the court called evidence of 8.5% confusion “strong evidence” of a likelihood of confusion. *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 716 (S.D.N.Y. 1973), *modified on other grounds*, 523 F.2d 1331 (2d Cir. 1975). Lest those cases appear isolated and old, this past summer the court in *Gucci America, Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 232, 248 (S.D.N.Y. 2012), held that the defendant's products infringed because they were likely to cause post-sale confusion after finding that

Court explicitly held that “some possibility of consumer confusion must be compatible with fair use.”<sup>10</sup> Functionality doctrine similarly disregards confusion when its requirements are otherwise satisfied.<sup>11</sup>

This wisdom is not woven into the fabric of trademark law very well, however. Almost every so-called “defense” in trademark law relies in the end on the absence of confusion rather than the presence of important alternative values.<sup>12</sup> And the expansive definition of confusion means markholders often can claim some malign influence on consumers. We suggest historical reasons for this doctrinal circularity below.<sup>13</sup> Whatever the explanation, however, contemporary courts lack tools to consider values other than confusion because they understand the elimination of all confusion to be the task at hand.

This Article tackles both of these related misunderstandings of consumer confusion in trademark law: the supposed role of confusion as the law’s sole driving purpose and the imperative to reduce it to zero. We trace the development of the preoccupation with confusion, demonstrate its negative consequences, and suggest avenues for reform.

We begin with history. Why do so many courts and other actors see elimination of consumer confusion as the primary (perhaps even the sole) mission of trademark law? Part I describes how courts traditionally relied on the inherent limits of more narrowly defined trademark rights to protect socially beneficial uses of a mark, obviating the need for special doctrines. We then show how those inherent limits eroded over time with the expansion of rights. Trademark adjudication increasingly fetishized confusion over the last half century while simultaneously expanding the scope of that concept to cover dramatically more situations. These changes created more conflicts between confusion and other values, yet left trademark law without the capacity to adjudicate those conflicts efficiently.

We then elaborate on the problems caused by this state of affairs. Part II identifies other values, particularly fair competition and open communication, which can be threatened by trademark structures overly reliant on eradicating confusion. It also explains how courts’ attempts to articulate new limits on the scope of trademark rights largely failed because they recursively relied on assessments of the now-overgrown confusion concept. Cases involving socially valuable, but unlicensed, uses of marks present two distinct problems. First, current doctrine submerges the other values and perpetuates the notion that preventing consumer confusion is itself the aim of trademark law. In response, courts tend systematically to overweigh confusion,

---

the surveys showed a *maximum* level of net confusion among casual observers in the post-sale setting of only 5.8%.

10 KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121 (2004).

11 See TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 32–33 (2001); Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH, 289 F.3d 351, 355 (5th Cir. 2002).

12 See William McGeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 77–109 (2008).

13 See *infra* Part I.

which they see as more essential to trademark law than any of those other values. Second, and at least as important, courts cannot dispose of cases early in litigation because they generally cannot address competing values outside a fact-intensive likelihood of confusion analysis. As a result, even when an unlicensed use of a mark ultimately would be found lawful, the user faces the prospect of long and expensive litigation to validate that use. These costs discourage legitimate uses on the ground and increase the effectiveness of cease-and-desist letters, including those that claim stronger rights than the law really confers.

Finally, in Part III we take up the task of reforming trademark adjudication to better recognize and protect other values. We propose a set of what we call “limiting doctrines” to do so. In civil procedure terms, some of these are affirmative defenses, but we also include other doctrinal structures that efficiently vindicate non-confusion interests served by a defendant’s actions.<sup>14</sup> In brief summary, we suggest that courts should first identify categories of cases that raise competing values, and then should handle these identified types of cases differently at both the liability and remedy phases. The sorting would leave the handling of most trademark cases undisturbed, but would significantly change doctrine in the affected categories. At the liability phase, in some instances we propose categorical safe harbors for the defendant, while in others we recommend a much more limited role for confusion. At the remedy phase, courts should remember that eradication of all confusion is not their goal and limit their injunctive relief to those measures necessary, on balance, to prevent serious harm to consumers.

Described at this level of generality, we realize that our premise can seem abstract. We will illustrate the approach with three fact patterns that recur frequently and present conflicts between the elimination of confusion on one hand, and interests in competition and communication on the other. First, the ability to offer certain product features can be essential to compete in a market, but use of those features may also give rise to trademark claims, particularly as protection extends to more varieties of trade dress. Functionality doctrine generally refuses protection for mechanical features like the dual-spring design of a mechanism for keeping outdoor signs upright despite adverse wind conditions.<sup>15</sup> It much less consistently preserves access to competitively important nonmechanical features such as the color on the sole of a fashionable shoe.<sup>16</sup> Second, unlicensed third parties often use a mark when they promote their own products to consumers. This situation arises most obviously in the form of comparative advertising, but it also can come

---

14 See William McGeeveran, *Life in the Fast Lane: Of Presumptions, Defenses, and Burdens*, 1 IP THEORY 25, 31–32 (2010), available at <http://www.repository.law.indiana.edu/ipt/vol1/iss1/2/>. So, for example, the requirement of nonfunctionality in the prima facie infringement case is a limiting doctrine in this sense. So, too, are some of our remedial options that are not full defenses from liability. See *infra* Part III.

15 See *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 28–35 (2001).

16 See *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 216 (2d Cir. 2012).

up when sellers, repairers, or brokers use a mark to explain their own services to consumers.<sup>17</sup> The “classic” fair use scenario, in which a third party uses a mark for its descriptive meaning in order to describe its own product or service, presents similar conflicts between competitive purposes and confusion reading.<sup>18</sup> Finally, unauthorized expressive uses of marks—in media from oil paintings to movies and video games—face trademark claims based on the possibility that their audiences will become confused about an association between the markholder and the expressive work.<sup>19</sup> We will return to these three—product features, third-party promotions, and uses in expressive works—as concrete examples of situations that limiting doctrines should protect more effectively. They embody core trademark values of fair competition (product features), open communication (uses in expressive works), or both (comparative advertising and other third-party promotions).

As a final introductory note, we offer a quick preliminary response to a sensible question we have often received about this project: if the breadth of confusion is the root problem, why not simply make confusion narrower again? One of us has written extensively endorsing just such an approach, and both of us continue to think it would be wise to alter the confusion rationale along these lines.<sup>20</sup> Nevertheless, for several reasons we think limiting doctrines applied to particular uses also demand attention from courts, scholars, and reformers. First, more general efforts to scale back trademark rights may prove unsuccessful, and in any event reversing decades of trademark expansion would take time. Our proposal gives courts concrete tools they can use right now to protect other values when they are most seriously threatened by trademark enforcement. Second, current doctrine seldom calls upon courts to think hard about the differences between types of confusion or the varied types and degrees of harm they may cause, nor to consider other important values aside from confusion. Confronting courts more directly with the costs of trademark overprotection should help nudge them toward a more wide-ranging re-evaluation of confusion. Third, even with a more limited understanding of consumer confusion, there will always be times when other values ought to take precedence over confusion for the

---

17 See, e.g., *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175 (9th Cir. 2010) (considering suit against automobile broker unaffiliated with Lexus who used <buy-a-lexus.com> as a domain name); *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 619–20 (7th Cir. 1995) (upholding comparative use of competitor’s mark on candy packaging).

18 See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 114 (2004) (involving a dispute over variations of a single term found in one company’s trademark that were used in a competitor’s product description).

19 See, e.g., *Univ. of Ala. Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266, 1269 (11th Cir. 2012) (alleging violation based on depiction of university football team logos and uniforms in oil paintings); *E.S.S. Entm’t 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1097 (9th Cir. 2008) (claiming violation based on imitation of logo and building décor in video game).

20 See Lemley & McKenna, *supra* note 1, at 438–44; Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137, 151–54 (2010); see also McGeveran, *supra* note 12, at 66–71 (criticizing focus on likelihood of confusion).



good of the entire trademark regime and the markets it supports. For example, courts already disregard even confusion about actual source—the narrowest and most traditional form of confusion—when they determine that the disputed feature was functional.<sup>21</sup> Given the unbroken history of expanding rights, limiting doctrines probably will be essential to protect other values important to the whole trademark system. That certainly doesn't mean we should ignore problems with the confusion rationale. But it does mean that we cannot afford to ignore limiting doctrines.

## I. HISTORICAL EVOLUTION

At one time, the inherently limited nature of trademarks did much of the doctrinal work of trademark law. As the Supreme Court famously said almost a century ago in *United Drug Co. v. Theodore Rectanus Co.*, “[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”<sup>22</sup> Put simply, trademark rights were naturally limited by their purposes; as a result, many uses of a mark by other parties were not even *prima facie* infringing.

As this Part explains, courts traditionally relied on these natural limits to deny relief where the defendant's use did not implicate trademark law's concerns. That was generally enough to prevent serious conflicts between trademark rights and other values such as competition or speech. Over the last several decades, however, trademark rights have expanded so much that conflicts are now much more frequent, and the old doctrinal formulations are no longer sufficient to resolve them.

### A. *The Erosion of Inherent Limits in Trademark Rights*

Until sometime in the early to mid-twentieth century, trademark law (along with the broader law of unfair competition of which it has always been a part) was designed for the limited purpose of preventing trade diversion by competitors. As Justice Strong wrote in *Canal Co. v. Clark*:

[I]n all cases where rights to the exclusive use of a trade-mark are invaded, it is invariably held that the essence of the wrong consists in the sale of the goods of one manufacturer or vendor as those of another; and that it is only when this false representation is directly or indirectly made that the party who appeals to a court of equity can have relief. This is the doctrine of all the authorities.<sup>23</sup>

21 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:63 (4th ed. 2013) [hereinafter MCCARTHY] (“Functionality is a potent public policy, for it trumps all evidence of actual consumer identification of source and all evidence of actual consumer confusion caused by an imitator.”).

22 248 U.S. 90, 97 (1918).

23 80 U.S. 311, 322–23 (1872); see also *Lawrence Mfg. Co. v. Tenn. Mfg. Co.*, 138 U.S. 537, 546 (1891) (quoting the same passage from *Canal Co. v. Clark*). The “essence of the wrong” was the same in unfair competition cases that did not involve a technical trade-



Nevertheless, courts in this era recognized that they had to be careful in denouncing trade diversion—after all, capitalist competition consists inherently of efforts to divert others' customers. Applied too broadly, unfair competition law could undermine the benefits of a market economy. Courts guarded against overextension by carefully distinguishing between legitimate forms of competition ("mere competition") and illegitimate attempts to divert trade.<sup>24</sup> Deceptiveness was the point of demarcation: a defendant's use was actionable only if it deceived consumers and thereby diverted trade that otherwise would have gone to the plaintiff.<sup>25</sup> Because trademark rights were so narrow in this era, courts were more willing to presume deception in trademark infringement cases than in unfair competition, but both types of cases turned on deception that resulted in the passing off of the defendant's goods as those of the plaintiff.<sup>26</sup>

---

mark. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) ("Th[e] essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."); JAMES LOVE HOPKINS, *THE LAW OF TRADEMARKS, TRADENAMES AND UNFAIR COMPETITION* § 4, at 12 (3d ed. 1917) ("The principles involved in trademark cases and tradename cases have been substantially identical.").

24 See, e.g., *Coats v. Merrick Thread Co.*, 149 U.S. 562, 566 (1893) ("Rival manufacturers may lawfully compete for the patronage of the public in the quality and price of their goods, in the beauty and tastefulness of their enclosing packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals."); *Taylor v. Carpenter*, 2 Sand. Ch. 603, 617 (N.Y. Ch. 1846) ("[Protection of trademarks] does not at all trench upon the rights of others, by a course of conduct equally deserving and praiseworthy, to enter the lists of competition, and bear off the palm. But it will not allow them by falsehood, fraud, and forgery, to filch from another his good name, and share it in common with him, or destroy or impair it.").

25 See *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 513 (7th Cir. 1912) ("The deception of the public naturally tends to injure the proprietor of a business by diverting his customers and depriving him of sales which otherwise he might have made. This, rather than the protection of the public against imposition, is the sound and true basis for the private remedy."); see also *Hanover Star*, 240 U.S. at 413–15 ("This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."); *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 300 (2d Cir. 1917) (holding a "second comer" defendant liable where "the public will believe his goods have come from the first [comer], and will buy, in part, at least, because of that deception"); *Taylor v. Carpenter*, 23 F. Cas. 742, 744 (C.C.D. Mass. 1844) (No. 13,785) ("The case presented is one of unmitigated and designed infringement of the rights of the plaintiffs, for the purpose of defrauding the public and taking from the plaintiffs the fair earnings of their skill, labor and enterprise."); *Chadwick v. Covell*, 23 N.E. 1068, 1069 (Mass. 1890) (declaring that trademark law is intended "to prevent one man from palming off his goods as another's, from getting another's business or injuring his reputation by unfair means, and perhaps, from defrauding the public"); *Coats v. Holbrook, Nelson & Co.*, 7 N.Y. Ch. Ann. 586, 594 (N.Y. Ch. 1845) (stating that a party is not allowed to imitate the product of another and "thereby attract to himself the patronage that without such deceptive use of such names . . . would have inured to the benefit of that other person").

26 Where the defendant was using a technical trademark, courts were confident that the use had no legitimate explanation, so they were comfortable presuming that the defen-

As a result, early trademark and unfair competition law reached only a limited range of particularly egregious conduct—acts by direct competitors (since only direct competitors could pass off goods as though they were the plaintiff's) that deceived consumers. And precisely because of this restricted scope, there were seldom cases where socially beneficial conduct ran the risk of liability. The modesty of the procompetitive norms embedded in traditional causes of action for trademark and unfair competition was generally sufficient to avoid conflict with broader competition or speech values.

It should be no surprise, then, that there was little need for additional defenses in the traditional era, aside from trans-substantive equitable defenses like laches and acquiescence.<sup>27</sup> When courts ruled for defendants in cases that protected competition and speech values, they did so by enforcing the inherent limits of trademark rights. They might have invoked other values such as competition when rejecting a plaintiff's claim,<sup>28</sup> but they did so primarily to emphasize the reasons why trademark rights were so limited.

Take, for example, *Prestonettes, Inc. v. Coty*, which many regard as an early application of the first sale doctrine.<sup>29</sup> In that case Prestonettes purchased genuine Coty toilet powder, "subject[ed it] to pressure, add[ed] a binder to give it coherence and [sold] the compact in a metal case."<sup>30</sup> Prestonettes also rebottled genuine Coty perfume in smaller containers.<sup>31</sup> The district court had issued, and Prestonettes agreed to abide by, a decree that allowed Prestonettes

to put upon the rebottled perfume "Prestonettes, Inc., not connected with Coty, states that the contents are Coty's—(giving the name of the article) independently rebottled in New York," every word to be in letters of the same size, color, type and general distinctiveness [and to] make compacts from the genuine loose powder of the plaintiff and to sell them with this label on the container: "Prestonettes, Inc., not connected with Coty, states that the compact of face powder herein was independently compounded by

---

dant intended to deceive. Where, on the other hand, a defendant's conduct was ambiguous—where, for example the defendant might have been using a term to denote the "class, grade, style, or quality of the articles"—courts required the plaintiff to prove the defendant intended to divert his trade. *See, e.g., Diederich v. W. Schneider Wholesale Wine & Liquor Co.*, 195 F. 35, 37 (8th Cir. 1912); *see also McKenna*, *supra* note 5, at 1862 (describing the difference between trademark infringement and unfair competition in terms of proof of intent to deceive).

27 Even those doctrines were not complete defenses—they applied to preclude damages from past infringement, but not to bar injunctions against future infringement. *See, e.g., McLean v. Fleming*, 96 U.S. 245, 251 (1877) ("Unreasonable delay in bringing a suit is always a serious objection to relief in equity; but cases arise in litigations of the kind before the court where the complainant may be entitled to an injunction to restrain the future use of a trade-mark, even when it becomes the duty of the court to deny the prayer of the bill of complaint for an account of past gains and profits.").

28 *See Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 120–21 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896).

29 264 U.S. 359 (1924).

30 *Id.* at 366.

31 *Id.* at 367.

it from Coty's—(giving the name) loose powder and its own binder. Loose powder-percent, Binder-per cent," every word to be in letters of the same size, color, type, and general distinctiveness.<sup>32</sup>

But the Court of Appeals rejected that decree and "issued an absolute preliminary injunction against the use of the [Coty] marks except on the original packages as marked and sold by [Coty], thinking that the defendant could not put upon the plaintiff the burden of keeping a constant watch."<sup>33</sup>

The Supreme Court disagreed. To begin with, the Court thought it obvious that Prestonettes

of course by virtue of its ownership had a right to compound or change what it bought, to divide either the original or the modified product, and to sell it so divided. The plaintiff could not prevent or complain of its stating the nature of the component parts and the source from which they were derived if it did not use the trade mark in doing so.<sup>34</sup>

Thus, the only question was whether Prestonettes's use of Coty's trademark changed the result. And the answer to that question was clear once the Court focused on the limited nature of a trademark right:

Then what new rights does the trade mark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright. The argument drawn from the language of the Trade Mark Act does not seem to us to need discussion. *A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.*<sup>35</sup>

*Prestonettes v. Coty* did not carve out any special new "first sale" exemption from the scope of a trademark right. It did not allow the defendant to engage in conduct that caused the type of harm that was ordinarily actionable in order to vindicate some larger purpose of supporting competition. Instead the Court simply held that trademark law was not concerned with *any* use of a mark unless it deceived consumers into purchasing the defendant's product instead of the plaintiff's. Prestonettes's use of the Coty mark with the disclaimers described by the district court did not risk such passing off. Therefore, it was not infringing.

If the name of Coty were allowed to be printed in different letters from the rest of the inscription dictated by the District Court a casual purchaser might look no further and might be deceived. But when it in no way stands out from the statements of facts that unquestionably the defendant has a right to communicate in some form, we see no reason why it should not be used collaterally, not to indicate the goods, but to say that the trade-marked product is a constituent in the article now offered as new and changed. As a

---

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 368.

<sup>35</sup> *Id.* (emphasis added) (citation omitted) (citing *Canal Co. v. Clark*, 80 U.S. 311, 327 (1872)).

general proposition there can be no doubt that the word might be so used.<sup>36</sup>

*Champion Spark Plug v. Sanders* is similar, even though that case was decided in 1947, when trademark law had already begun to expand beyond its traditional limits.<sup>37</sup> In that case, the district court found that the defendants had infringed Champion's trademark and engaged in unfair competition when they sold used Champion spark plugs without making clear that those plugs were repaired and reconditioned.<sup>38</sup> The district court therefore enjoined the defendants

from offering or selling any of [Champion's] plugs which had been repaired or reconditioned unless (a) the trade mark and type and style marks were removed, (b) the plugs were repainted with a durable grey, brown, orange, or green paint, (c) the word "REPAIRED" was stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by [Champion] and repaired and made fit for use up to 10,000 miles by [defendants].<sup>39</sup>

The Second Circuit affirmed the findings of trademark infringement and unfair competition, but it modified the injunction:

(a) it eliminated the provision requiring the trade mark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word "REPAIRED" be stamped into the plug, etc., a provision that the word "REPAIRED" or "USED" be stamped and baked on the plug by an electrical hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered by permanent aluminum paint or other paint or lacquer; and (c) it elimi-

---

36 *Id.* at 368–69. Importantly, the Court noted that the case was only one of trademark infringement and not unfair competition.

The question therefore [was] not how far the court would go in aid of a plaintiff who showed ground for suspecting the defendant of making a dishonest use of his opportunities, but [was] whether the plaintiff ha[d] the naked right alleged to prohibit the defendant from making even a collateral reference to the plaintiff's mark.

*Id.* at 369.

37 *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947).

38 *Id.* at 126 ("The outside box or carton in which the plugs are packed has stamped on it the word 'Champion,' together with the letter and figure denoting the particular style or type. They also have printed on them 'Perfect Process Spark Plugs Guaranteed Dependable' and 'Perfect Process Renewed Spark Plugs.' Each carton contains smaller boxes in which the plugs are individually packed. These inside boxes also carry legends indicating that the plug has been renewed. But respondent company's business name or address is not printed on the cartons. It supplies customers with petitioner's charts containing recommendations for the use of Champion plugs. On each individual plug is stamped in small letters, blue on black, the word 'Renewed,' which at times is almost illegible." (footnote omitted)).

39 *Id.* at 126–27.

nated the provision specifying the precise legend to be printed on the cartons and substituted therefor a more general one.<sup>40</sup>

On appeal to the Supreme Court, Champion argued that the Second Circuit had erred by allowing the defendant to keep the word “Champion” on the repaired or reconditioned spark plugs.<sup>41</sup> The Supreme Court rejected Champion’s argument, implicitly holding that a party which adequately discloses the repaired or reconditioned status of authentic second-hand goods may use the original trademark to re-sell those goods.<sup>42</sup> Just as in *Prestonettes*, on which it relied extensively, the Court made clear that the defendant’s use of the Champion mark with full disclosure of the goods’ reconditioned status simply fell outside the limited scope of Champion’s trademark rights.<sup>43</sup> The Court “put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another,”<sup>44</sup> and it limited relief to disclosure of the defendant’s repairing or reconditioning of the spark plugs because there had been “no showing of fraud or palming off.”<sup>45</sup>

As this discussion illustrates, the outcomes in both *Prestonettes* and *Champion* depended entirely on the limited nature of trademark rights. In both cases, the Court found the defendant’s conduct non-infringing because it was not the type of conduct that caused the specific harm trademark and unfair competition law addressed.<sup>46</sup> Neither decision relied on special excuses or exemptions or other limiting doctrines distinct from the *prima facie* case. And this approach was typical during that era—outside of standard equitable

---

40 *Id.* at 127–28.

41 *Id.* at 128.

42 *Id.* at 130.

43 *Id.*

44 *Id.* at 128.

45 *Id.* at 130. There was fault, of course, in the defendant’s original packaging, which the Court believed fell within the reach of trademark and unfair competition law because it did not adequately disclose that the spark plugs were used and were coming from a company other than Champion. *Id.*

46 We can see in *Champion* some evidence of the broadening of trademark law’s reach that was already afoot. In the process of rejecting Champion’s claim, the Court acknowledged that under *Prestonettes*, a second-hand dealer would get “some advantage from the trade mark.” *Id.* But, the Court said, such an advantage was “wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer.” *Id.* In *Prestonettes* the Court found that advantage permissible so long as it was not gained by deceiving consumers into believing that the used goods were the original goods. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 369 (1924). The *Champion* Court’s slightly broadened view reflects courts’ increasing acceptance of a broader range of harms in trademark cases, and particularly their concern about the risk that the mark owner would be blamed for the low quality of goods bearing its mark. See Mark P. McKenna, *Testing Modern Trademark Law’s Theory of Harm*, 95 IOWA L. REV. 63, 86–90 (2009). We have more to say about this broadening, and its relation to limiting doctrines, below. See *infra* Section I.B.

doctrines, there really were no defenses in trademark law.<sup>47</sup> Certainly there were no analogues in these cases to modern doctrines like nominative fair use or any First Amendment defense.

Nor were any other limiting doctrines needed. When it reached such a narrow range of conduct, there was little chance of trademark law conflicting seriously with other values. Each of our three fact patterns illustrates these inherent limits of earlier trademark rights. Competitors, resellers, and other third parties could promote their own goods and services using trademarks as long as they avoided passing off, as demonstrated in *Prestonettes* and *Champion*. And it would have been unimaginable in the early 1900s for a court to entertain a trademark claim against an artist who depicted a label in her painting or the producer of a motion picture that mentioned a brand name. Neither of those uses threatens trade diversion.

As for product design, there was little need for a functionality doctrine because most courts categorically rejected unfair competition claims based on allegations that the defendant copied the design of a product, reasoning that unpatented designs were free for copying.<sup>48</sup> Even though those cases involved directly competing goods, courts could prevent trade diversion—the only harm with which they were concerned—by requiring clear labeling.<sup>49</sup>

47 There were defenses in the formal sense because of the burden-shifting effect of federal registration. But these were not limiting doctrines that excused otherwise infringing behavior, distinct from the *prima facie* case. See William McGeeveran, *The Trademark Fair Use Reform Act*, 90 B.U. L. REV. 2267, 2291–98 (2010).

48 See, e.g., *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 183, 185 (1896) (allowing the defendant to produce sewing machines with similar designs to the plaintiff's because the protecting patent had expired, even though consumers had come to associate the design with the plaintiff's company); *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 301 (2d Cir. 1917) (expressly allowing the defendant to “copy the plaintiff's [adjustable wrench] slavishly down to the minutest detail,” as no one was entitled to “monopolize any [unpatented] design or pattern, however trifling”); *Flagg Mfg. Co. v. Holway*, 59 N.E. 667, 667 (Mass. 1901) (“[T]he defendant ha[d] the same right that the plaintiff ha[d] to manufacture instruments in the present form, to imitate the arrangement of the plaintiff's strings or the shape of the body. In the absence of a patent the freedom of manufacture cannot be cut down under the name of preventing unfair competition. All that can be asked is that precautions shall be taken, so far as are consistent with the defendant's fundamental right to make and sell what it chooses, to prevent the deception which no doubt it desires to practice.” (citations omitted)).

49 See, e.g., *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 120–21 (1938) (noting that there was no evidence the defendant had attempted to pass off its product, as “[t]he Kellogg cartons [were] distinctive. They d[id] not resemble those used by the plaintiff either in size, form, or color. And the difference in the labels [was] striking. The Kellogg cartons [bore] in bold script the names ‘Kellogg's Whole Wheat Biscuit’ or ‘Kellogg's Shredded Whole Wheat Biscuit’ so sized and spaced as to strike the eye as being a Kellogg product” and also noting that, despite Kellogg's use of a “picture of two shredded wheat biscuits in a bowl of milk which was quite similar to one of the plaintiff's registered trademarks . . . the name Kellogg was so prominent on all of the defendant's cartons as to minimize the possibility of confusion”); *Singer*, 163 U.S. at 204 (enjoining the defendant “from using the word ‘Singer’ or any equivalent thereto . . . without clearly and unmistakably stating in all said advertisements that the machines are made by the defendant, as distinguished from the



While there were some outlying cases,<sup>50</sup> they were sufficiently rare that the functionality doctrine (which derived from the distinctions in these cases) only developed significantly later as trade dress gained greater trademark protection.<sup>51</sup> Early product design cases therefore reflect the general theme we have described: because trademark law conceived of its ends narrowly and reached a limited range of conduct, there was no real need for a special limiting doctrine to deal with mechanically functional features. Courts could simply observe the inherent limits of trademark rights to avoid conflict with the patent system and its competition norms.

---

sewing machines made by the Singer Manufacturing Company”); *Flagg Mfg.*, 59 N.E. at 667 (“[T]he plaintiff’s right can be protected sufficiently by requiring the defendant’s zithers to be clearly marked so as to indicate unmistakably that they are the defendant’s and not the plaintiff’s goods.”); see also *Crescent Tool*, 247 F. at 301 (“The defendant . . . may copy the plaintiff’s goods slavishly down to the minutest detail; but he may not represent himself as the plaintiff in their sale.”). At times, Judge Hand, who authored the opinion in *Crescent Tool*, also seemed to suggest even the limited remedy of labeling would only be required with respect to nonfunctional features by which the article’s source is distinguished, and where “the public is moved in any degree to buy the [plaintiff’s] article because of its source.” *Id.* at 300.

50 See *George G. Fox Co. v. Hathaway*, 85 N.E. 417, 418 (Mass. 1908) (enjoining the defendants’ manufacturing and sale of bread loaves that mirrored the plaintiff’s in size, shape, color, and general visual appearance despite the fact that the defendant sold its loaves under a different name and packaged its loaves in a broad paper band that was marked “Hathaway’s Log Cabin Bread. Finest Flavor, Malted” in contrast to the plaintiff’s small paper label containing the words “Fox’s Creamalt”); see also *id.* (rejecting the sufficiency of labeling because “[t]here was nothing to show that the defendants’ business interests required the combination of this shape with the same size, color and general visual appearance” as the plaintiff’s loaves and noting that there were “numberless shapes and sizes in which loaves of bread may be produced, and various peculiarities of appearance in color and condition of surface”).

51 Courts also often discussed refusals to register product design features in functionality terms. See, e.g., *In re Oneida Cmty.*, 41 App. D.C. 260, 260–61, 1913 WL 19946 (D.C. Cir. 1913) (affirming the Trademark Office’s refusal to register “a circular or O-shaped film having distinct edges, on the back of the spoon bowl” on the ground it was an “attempt, under the guise of trademark registration, to obtain a monopoly of a functional feature of an article of manufacture” when “clearly no functional feature of a device is a proper subject for trademark registration” (citation omitted)). Professor McCarthy suggests that these earlier decisions are precursors to modern functionality doctrine. See 1 MCCARTHY, *supra* note 21, § 7:63. But these registration decisions do not use “functionality” in a modern sense—they use that term merely to make clear that features of products themselves were not proper subject matter of trademark law: “functional” meant “part of the product.” See, e.g., *Herz v. Loewenstein*, 40 App. D.C. 277, 278, 1913 WL 19916 (D.C. Cir. 1913) (cancelling registration of a mark produced by a “process of sealing the packages [that] produces a corrugated embossing on the ends of the wrappers, which constitutes the trademark” on the ground that the “mark [was] not placed upon the toothpicks, but [was] produced as the result of a distinct method of sealing the wrappers” and as “part of the manufactured wrappers, [was] not subject to registration as an arbitrary mark”). Moreover, those cases only dealt with registrability; they did not deal with protection via unfair competition claims for unregistered trade dress.



This model only worked when trademark rights remained narrow. But as the next Section explains, the subsequent massive expansion of trademark rights disrupted courts' ability to rely on inherent limits in the *prima facie* case.

*B. The Emergence of the Confusion Rationale*

Beginning around 1920, courts began to see traditional trademark law's focus on trade diversion as overly constrained. The increasing complexity of manufacturing and marketing practices exerted increasing pressure throughout the twentieth century to broaden the scope of trademark rights. Courts responded to this pressure by recognizing a much wider range of uses of a mark as potentially infringing and accepting a wider range of designations as protectable subject matter.

First, courts began to find infringement when use of a mark caused consumers to think *either* (1) that the plaintiff actually produced the defendant's goods *or* (2) that the plaintiff sponsored the defendant's goods or was affiliated with their producer. In *Vogue Co. v. Thompson-Hudson Co.*, for example, the court held that the defendant's use of "The Vogue Hat Company" to sell hats infringed the plaintiff's rights in the VOGUE mark for magazines.<sup>52</sup> Even if consumers would not believe the hat company *was* the magazine publisher, it was enough if they might incorrectly believe there was a *relationship* between the two.<sup>53</sup> We mean to emphasize two aspects of this expansion. First, and most obviously, courts extended trademark infringement beyond the context of directly competing goods, deemphasizing trade diversion as unfair competition's defining harm. Second, courts elevated consumer confusion, making it, rather than deception, the central inquiry.<sup>54</sup> Together

---

<sup>52</sup> 300 F. 509, 512 (6th Cir. 1924).

<sup>53</sup> *Id.*

<sup>54</sup> In the late nineteenth and early twentieth centuries, courts regularly denied relief in cases in which they acknowledged that consumers were likely to be confused. In *Canal Co. v. Clark*, for example, the Supreme Court refused to prevent the defendant from truthfully describing his coal as having originated from "Lackawanna" despite the plaintiff's prior use of that geographically descriptive term. 80 U.S. 311, 324 (1872). It did so even though it recognized there was a risk of consumer confusion, because confusion was not enough. *Id.* at 327 ("[I]f it is just as true in its application to his goods as it is to those of another who first applied it, and who therefore claims an exclusive right to use it, there is no legal or moral wrong done. Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth."). *American Washboard Co. v. Saginaw Manufacturing Co.*, 103 F. 281 (6th Cir. 1900), is also illustrative here. In that case, the plaintiff manufactured washboards with aluminum coated facings and sold the washboards under the "aluminum" trade name. *Id.* at 282. The defendant also designated its washboards as "aluminum," even though it actually made its products out of zinc. *Id.* at 283. While there was little dispute that the defendant had in fact misrepresented the nature of its goods, the court denied injunctive relief. *Id.* at 281. Since "aluminum" was merely the descriptive title of a kind of washboard, no single producer could claim the term as its own. *Id.* at 282. Without additional acts beyond use of the "aluminum" trade name, the plaintiff could not claim that the defendant was "palming off" its goods as those

these conceptual moves set the stage for tremendous expansion. Courts would come to accept claims based on consumer confusion about a wider range of relationships between the plaintiff and defendant, most of which are now collected under the heading of “sponsorship or affiliation” confusion.<sup>55</sup> And they would detach confusion from the point of sale by recognizing initial-interest<sup>56</sup> and post-sale confusion.<sup>57</sup>

At the same time, courts dramatically expanded the range of designators potentially subject to trademark protection. Of particular significance here, courts began recognizing and more aggressively protecting trade dress, of both the packaging and product design varieties. The critical development took root in the 1970s as more courts interpreted § 43(a) of the Lanham Act to provide a cause of action for unregistered trademarks.<sup>58</sup> Most trade dress is not federally registered (and this was even more certainly true in the early to mid-twentieth century), and the Supreme Court had made clear in its *Sears* and *Compco* decisions that federal law preempted any state unfair competi-

---

of the plaintiff. *Id.* at 284. At most, the defendant was misrepresenting the *nature* of its goods. The court noted that the plaintiff had “los[t] sight of the thoroughly established principle that the private right of action in [these] cases is not based upon fraud or imposition upon the public, but is maintained solely for the protection of the property rights of a complainant.” *Id.* at 285.

55 See Lemley & McKenna, *supra* note 1, at 423–27. For a discussion of the appropriate limits of sponsorship and affiliation confusion, see *id.* at 447–50 (arguing that courts have extended confusion beyond the point where consumers are harmed and arguing for a showing of harm and materiality in sponsorship and affiliation cases).

56 Some courts recently have begun to express skepticism about broad application of the initial interest confusion doctrine. See, e.g., *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1243–45 (10th Cir. 2013) (recognizing the continued existence of the initial-interest confusion theory in the Tenth Circuit but rejecting it in a standard keyword advertising case); *Lamparello v. Falwell*, 420 F.3d 309, 316–18 (4th Cir. 2005) (noting that the Fourth Circuit had never explicitly accepted the initial-interest confusion doctrine and refusing to apply it where the defendant’s website made clear that the site was not sponsored by the plaintiff and the defendant did not use the domain name to derive financial benefit). Nevertheless, it remains a viable theory of infringement in most circuits. See, e.g., *McNeil Nutritionals, L.L.C. v. Heartland Sweeteners, L.L.C.*, 511 F.3d 350, 358 (3d Cir. 2007); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238–39 (10th Cir. 2006); *Checkpoint Sys., Inc. v. Check Point Software Techs.*, 269 F.3d 270, 294 (3d Cir. 2001); *Eli Lilly & Co. v. Natural Answers Inc.*, 233 F.3d 456, 464 (7th Cir. 2000); *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1110 (9th Cir. 1999); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 543–45 (5th Cir. 1998).

57 *Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 109 (2d Cir. 2000); *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1245 (6th Cir. 1991); *Krueger Int’l. Inc. v. Nightingale, Inc.*, 915 F. Supp. 595, 610 (S.D.N.Y. 1996); *Rolex Watch USA, Inc. v. Caner*, 645 F. Supp. 484, 492–93 (S.D. Fla. 1986).

58 This trend depended ultimately on expansion of the concept of “origin” beyond geographic origin to include the trademark concept of source. Professor McCarthy attributes that expansion to the decision in *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405 (6th Cir. 1963). See 5 MCCARTHY, *supra* note 21, § 27:7.

tion law that barred copying unpatented designs.<sup>59</sup> Since post-*Erie* unfair competition claims arose under state law,<sup>60</sup> courts could not find their way around *Sears* and *Compco* until they conceived of trade dress infringement as a *federal* statutory claim. But once they accepted that interpretation of the Lanham Act, whatever conceptual force *Sears* and *Compco* had in limiting the subject matter of trademark law began to erode.

By the time the Supreme Court decided *Two Pesos, Inc. v. Taco Cabana, Inc.* in 1992, it assumed that trade dress cases should be handled just like any other trademark case, and there was “no persuasive reason to apply different analysis” with respect to distinctiveness.<sup>61</sup> The Court went further in *Qualitex Co. v. Jacobson Products Co.*, endorsing trademark protection for “almost anything at all that is capable of carrying meaning.”<sup>62</sup> Having accepted this broad view of trademark subject matter, in its most recent cases the Supreme Court has felt the need to scale back—by requiring evidence of secondary meaning for certain types of indicators,<sup>63</sup> by strengthening the functionality doctrine,<sup>64</sup> and by construing § 43(a) more narrowly.<sup>65</sup> Relying in part on some older cases such as *Canal v. Clark*, the Court also has cautioned that limiting doctrines such as the descriptive fair use provision in § 33(b)(4) of the Lanham Act may apply even in the face of some lingering confusion.<sup>66</sup> But these retrenchments only became necessary after the Supreme Court endorsed a capacious view of trademark subject matter that opened up new fronts in trademark litigation.<sup>67</sup>

---

59 *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

60 *See* *Pecheur Lozenge Co. v. Nat'l Candy Co.*, 315 U.S. 666, 667 (1942) (“The only cause of action that [the] record could possibly support is for unfair competition and common law ‘trademark infringement,’ to which local law applies.”).

61 505 U.S. 763, 773 (1992). The Court held in *Two Pesos* that inherently distinctive and non-functional trade dress was protectable without evidence of secondary meaning. *Id.* at 776.

62 514 U.S. 159, 162 (1995).

63 *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 212 (2000) (requiring secondary meaning for product design, as opposed to product packaging); *see also Qualitex*, 514 U.S. at 163 (requiring secondary meaning for color standing alone).

64 *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001) (holding that a feature is functional if it is “essential to the use or purpose of the device or when it affects the cost or quality of the device”). *Traffix Devices* also held that the question of whether “exclusive use . . . would put competitors at a significant non-reputation-related disadvantage” is relevant in cases of aesthetic functionality, and that available alternative designs are not relevant once the court has determined the feature is functional because it is essential to the use or purpose or affects the cost or quality. *Id.* (quoting *Qualitex*, 514 U.S. at 165).

65 *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 31 (2003) (interpreting “origin of goods” in § 43(a) to refer only to the origin of physical goods, and not the origin of creative content).

66 *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121 (2004) (“[S]ome possibility of consumer confusion must be compatible with fair use . . .”) (analyzing 15 U.S.C. § 1115(b)(4)).

67 In *Traffix* the Court said:

To be absolutely clear: we are not arguing here that all of trademark law's expansion was illegitimate. We highlight this trajectory simply to underscore one significant consequence of that growth: trademark rights today threaten values of competition and communication more frequently and more seriously. When trademark law had a more limited domain, there was little need for particular limiting doctrines. Courts could prevent conflict with competition and communication values simply by observing the inherent limits of trademark rights.

By the beginning of the twenty-first century, however, courts had essentially inverted the analysis in trademark cases by elevating confusion itself to central status and paying less attention to the particular harms or benefits stemming from a defendant's unlicensed use of a trademark. The resulting expansions of the scope of infringement and trademark subject matter made it impossible to depend on any inherent limits of trademark rights to prevent clashes with other important values.

Why did courts gravitate toward viewing the elimination of consumer confusion as the animating purpose of trademark law? It would be impossible to say for certain, but we think a few factors likely contributed to the shift. One is the key role that the concept of consumer confusion played in mid-twentieth-century debates about the danger that expanding trademark rights would create barriers to market entry.<sup>68</sup> Proponents of expanded trademark rights assured their anti-monopoly critics that reliance on confusion as a requirement for liability would prevent anticompetitive outcomes.<sup>69</sup> Ironi-

---

It is well established that trade dress can be protected under federal law. The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods.

532 U.S. at 28. By contrast, in *Compco*, the Court rejected a claim "based wholly on the fact that selling an article which is an exact copy of another unpatented article is likely to produce and did in this case produce confusion as to the source of the article" on the grounds that unpatented designs must remain in the public domain, free for all to copy (subject to appropriate labeling). *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964). Having converted these unfair competition claims into federal claims under the Lanham Act, lower courts had eviscerated previous limits, and the Supreme Court followed suit.

68 See S. REP. NO. 79-1333, at 4 (1946) ("Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other."). The work of economist Edward Chamberlin animated much of the anti-monopoly sentiment. See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 367-69 (1999) (describing the reemergence of the "trade-marks as monopoly" argument and attributing it in large part to Chamberlin and his 1933 work *The Theory of Monopolistic Competition*). Chamberlin's cause was advanced in the legal literature most notably by Ralph Brown. See Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1170-71 (1948).

69 See, e.g., Beverly W. Pattishall, *Trademarks and the Monopoly Phobia*, 50 MICH. L. REV. 965, 979 (1952) ("The mark, whatever it may be, is unimportant. It is only a means to an

cally, as we show below, we think confusion reasoning has had exactly the opposite effect in a range of situations, facilitating just the sorts of monopolistic forces those critics feared.

We also suspect the focus on confusion was attractive because it allowed courts, legislators, and advocates to avoid fully reconceptualizing trademark law after the collapse of consensus around trade diversion. Different accounts of trademark law's purposes converge on the undesirability of consumer confusion, even if they do not agree on much else. An emphasis on confusion allowed the recasting of trademark law as a form of protection for consumers rather than for producers.<sup>70</sup> Many courts also focused on potential harms to markholders from broadly-defined confusion,<sup>71</sup> particularly (1) reputational consequences resulting from consumers' association of the new uses with the senior user;<sup>72</sup> (2) the risk that junior users would foreclose geographic or product markets to which the senior user had a superior right;<sup>73</sup> and (3) the junior user's free-riding on the value of the senior user's reputation.<sup>74</sup>

---

end, the end being the worthy one of identification for the public of merchandise or service with source and thus connecting and preserving good will to its rightful owner.”).

70 By the middle part of the twentieth century, some courts would claim that consumer protection, not producer interests, always had been the purpose of unfair competition law. *See, e.g.,* *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 570–71 (2d Cir. 1959) (“Distaste for sharp or unethical business practices has often caused the courts to lose sight of the fundamental consideration in the law of unfair competition—protection of the public.”). For an account of this recasting of trademark law in consumer protection terms, see McKenna, *supra* note 5.

71 For thorough criticisms of these justifications for broader trademark protection, see Lemley & McKenna, *supra* note 20, criticizing market pre-emption and free-riding arguments, and McKenna, *supra* note 46, criticizing claims of reputational harm in many non-competing goods cases.

72 *See, e.g.,* *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (“[T]he owner of a mark is damaged by a later use of a similar mark which places the owner's reputation beyond its control, though no loss in business is shown.”); *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 410 (2d Cir. 1917) (“Syrup and flour are both food products, and food products commonly used together. Obviously the public, or a large part of it, seeing this trade-mark on a syrup, would conclude that it was made by the complainant. Perhaps they might not do so, if it were used for flatirons. In this way *the complainant's reputation is put in the hands of the defendants.*” (emphasis added)); *see also* *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (“[A producer's] mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. *If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control.* This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.” (emphasis added)).

73 *See, e.g.,* *Scarves by Vera, Inc. v. Todo Imps. Ltd.*, 544 F.2d 1167, 1174–75 (2d Cir. 1976) (holding that the defendant's use of VERA for cosmetics and toiletries infringed the plaintiff's rights in the same mark for women's scarves, sportswear, and linens).

74 *See, e.g.,* *Stork Rest., Inc., v. Sahati*, 166 F.2d 348, 356 (9th Cir. 1948) (“The value of the designation is wholly adventitious, brought about by continued, expensive, and spectacular advertising—such as the giving away of one thousand dollar bills. The conclusion

Most important of all, prevention of confusion is the linchpin of the search costs theory,<sup>75</sup> which for the last several decades has been the dominant theoretical account of trademark law among courts<sup>76</sup> and commentators<sup>77</sup> alike. According to that theory, trademark law enables consumers to rely on trademarks as shorthands for information about the source and quality of the products with which they are used. By preventing conflicting uses of a mark, trademark law guarantees the reliability of these signals and enables consumers to avoid costly search processes.<sup>78</sup> It's not that producers

---

is inescapable that the appellees are seeking to capitalize on the publicity that the appellant has built around the name."); *Aunt Jemima Mills Co.*, 247 F. at 410 (worrying that consumer confusion would not only put the markholder's reputation in the hands of the defendant, but that the defendant would "get the benefit of the complainant's reputation and advertisement").

75 For the most famous articulation of the search costs theory, see William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 265–69 (1987).

76 See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003) ("[B]y preventing competitors from copying a 'source-identifying mark,' [trademark law] 'reduce[s] the customer's costs of shopping and making purchasing decisions,' and 'helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product[.]'" (alteration in original) (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995))); see also *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 215–16 (2d Cir. 2012) (acknowledging *Qualitex* for its support of search costs theory); *Union Nat'l Bank, Laredo v. Union Nat'l Bank, Austin*, 909 F.2d 839, 844 (5th Cir. 1990) ("The idea is that trademarks are 'distinguishing' features which lower consumer search costs and encourage higher quality production by discouraging free-riders."); *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429 (7th Cir. 1985) ("Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market.").

77 See, e.g., Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1223–24 (2007) (noting that commentators and courts generally endorse the search costs theory and arguing that the theory also limits trademark rights in underappreciated ways); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 782 (2004) [hereinafter *Trademarks and Consumer Search Costs*] (arguing that the historical normative goal of trademark law is to foster the flow of information in markets, thereby reducing search costs for consumers); Michael Grynberg, *The Road Not Taken: Initial Interest Confusion, Consumer Search Costs, and the Challenge of the Internet*, 28 SEATTLE U. L. REV. 97, 97–99 (2004) (arguing that courts should find initial interest confusion actionable only when the use causes more confusion than it creates benefit to consumers in the form of better information); Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1033–34 (2006) (contrasting dilution protection with traditional trademark protection and arguing that the former is producer-centered while the latter is consumer-centered); Lunney, *supra* note 68, at 432 ("Trademarks can, therefore, help ensure that the pricing signals received by producers from the market (or 'expressed demand') more accurately reflect consumers' actual tastes and preferences (or 'actual demand').").

78 WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167 (2003):



are absent from the search costs theory, but their interests matter only insofar as they can be harnessed for consumers' benefit.<sup>79</sup>

There are, of course, other theoretical accounts of trademark law—Jeremy Sheff's contractarian theory of trademark law,<sup>80</sup> theories about the personal value of prestige goods,<sup>81</sup> and a theory focused on consumer decision-making that one of us has proposed,<sup>82</sup> to name three recent examples. Nevertheless, it would be nearly impossible to overstate the extent to which the search costs theory now dominates as *the* theoretical justification of trademark law. The overwhelming majority of scholars use search cost language to describe trademark law's purposes.<sup>83</sup> The Supreme Court has explicitly endorsed the search costs theory as trademark law's core theoretical justification,<sup>84</sup> and lower courts do so routinely as well.<sup>85</sup>

What nearly all of these theories of trademark law have in common is an initial focus on consumer confusion as the predicate for some ultimate harm,

---

Suppose, then, that a consumer has a favorable experience with brand X and wants to buy it again. Or suppose he wants to buy brand X because it has been recommended by a reliable source or because he has had a favorable experience with another brand produced by the same producer. Rather than reading the fine print on the package to determine whether the description matches his understanding of brand X, or investigating the attributes of all the different versions of the product (of which X is one brand) to determine which one is brand X, the consumer will find it much less costly to search by identifying the relevant trademark and purchasing the corresponding brand. . . . A trademark conveys information that allows the consumer to say to himself, "I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier."

79 Trademark law protects mark owners' investments in goodwill, for example, but it does so only because giving mark owners the ability to reap the benefits of goodwill encourages them to invest in product quality. *See id.* at 166–68; Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 552 (2005) (describing trademark law's purposes as "protecting consumers from confusion" and "protecting producers' investments in quality that creates consumer goodwill towards them").

80 Jeremy N. Sheff, *Marks, Morals, and Markets*, 65 STAN. L. REV. 761, 763–64 (2013).

81 *See* Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981, 987 (2012); Shahar J. Dilbary, *Famous Trademarks and the Rational Basis for Protecting "Irrational Beliefs"*, 14 GEO. MASON L. REV. 605, 622–23 (2007) ("Specifically, three inseparable demands reside within a branded product. The first is a demand for the product itself: the physical and functional attributes of a suit, a perfume, a salad dressing. . . . The second kind of demand is for intra-brand information about the product's credence qualities. . . . The third demand is for the image or psychological pleasure associated with the mark's fame. . . . Put differently, the trademark does not act to increase sales only by economizing on consumers' search costs or by minimizing consumers' error costs." (footnotes omitted)).

82 Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67, 72 (2012).

83 *See, e.g.,* LANDES & POSNER, *supra* note 78, at 166–209 (summarizing the consumer search costs literature).

84 *See* Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 34 (2003).

85 *See supra* note 76 (listing cases).



whether to consumers, producers, or both.<sup>86</sup> It seems likely to us that courts were attracted to confusion as the primary value in trademark law precisely for this reason: they might have believed they could resolve (or at least elide) debates about the deeper purposes of trademark by focusing on prevention of consumer confusion as a mid-level principle.<sup>87</sup> If all the varied harms flow from confusion, courts could simply focus on eliminating confusion and, at least superficially, satisfy everyone. Unfortunately, as the next Part describes, overemphasizing confusion only sweeps the theoretical discord under the rug, and it actually hides normative principles that could help guide courts to better results, particularly in certain recurring situations where confusion reasoning conflicts with broader competition or communication policies.

## II. WHAT'S WRONG WITH THIS PICTURE?

Of course, nobody likes confusion. A glance at its definitions brings up words such as ruin, discomfiture, shame, and tumult.<sup>88</sup> Yet notwithstanding these undesirable connotations, confusion by itself rarely justifies legal intervention. A variety of legal rules acknowledge, and even embrace, the possibility that people may be confused about very important things. Even in elections, provably untrue assertions sometimes must be tolerated.<sup>89</sup> Foundational doctrines, notably the “actual malice” standard from *New York Times Co. v. Sullivan*, allow misleading and even calumnious claims about the most important topics of speech.<sup>90</sup> When embracing this standard, the Supreme Court famously warned that “erroneous statement is inevitable in free debate” and “must be protected if the freedoms of expression are to have the ‘breathing space’ that they ‘need . . . to survive.’”<sup>91</sup>

86 McKenna’s consumer decision-making theory is somewhat of an outlier here in that his theory focuses on deception rather than confusion. McKenna, *supra* note 82, at 113 (“Trademark law should attempt to regulate only uses of a mark that interfere with consumers’ ability to effectuate their decisions by deceiving them.”). Nevertheless, McKenna sees deception as a predicate to the ultimate harm of interfering with consumer decision-making. *Id.*

87 Cf. ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY (2011) (proposing a theory of intellectual property that identifies philosophical “foundations” which might reflect only overlapping consensus and “midlevel principles” which unify divergent foundations in the operation of legal rules).

88 See *Confusion Definition*, ONLINE ETYMOLOGY DICTIONARY, <http://www.etymonline.com/index.php?term=confusion> (last visited Oct. 16, 2013). The word’s etymology traces back through the word “confound” to the Latin word *confundere*, meaning to pour or mingle things together or mix them up. *Id.*

89 For a thoughtful discussion about the difficulties of regulating even outright falsehoods in political campaigns, see Jacob Rowbottom, *Lies, Manipulation, and Elections—Controlling False Campaign Statements*, 32 OXFORD J. LEGAL STUD. 507 (2012).

90 *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 283 (1964) (requiring heightened standard for proof of defamation involving public officials); see also, e.g., *Time, Inc. v. Hill*, 385 U.S. 374, 387–88 (1967) (expanding principle to “matters of public interest” in the context of false light tort claims).

91 *N.Y. Times*, 376 U.S. at 271–72 (quoting *NAACP v. Button*, 371 U.S. 415, 433 (1963)).

This tolerance of confusion extends past highly protected political discourse. Liability in garden-variety cases of defamation and fraud generally requires proof that the defendant made a demonstrably false statement, not merely one that caused confusion among some people who heard it.<sup>92</sup> False advertising claims likewise demand proof of falsehood.<sup>93</sup> The Supreme Court recently struck down a ban on outright lies about a person's receipt of the Medal of Honor, largely because the prohibition was not limited to situations where the falsehood resulted in concrete harm such as fraud or unjust enrichment.<sup>94</sup> Even the Food and Drug Administration, which closely regulates exactly what purveyors of pharmaceuticals may say about their drugs, does not intervene to prevent doctors or others from making different claims about them, or from proposing and authorizing off-label uses.<sup>95</sup>

In some of these examples, the law declines to intervene to protect against potential confusion because the confusion that might arise would not cause the kinds of harm with which these legal protections are fundamentally concerned. Defamation law, for example, protects the plaintiff's reputation, not the general public's understanding of the truth. False advertising seeks to harness the market benefits of consumer decisions based on accurate

---

92 See RESTATEMENT (SECOND) OF TORTS §§ 525, 558 (1977).

93 See *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1183 (8th Cir. 1998) (holding that "a party seeking relief . . . bears the ultimate burden of proving actual deception by using reliable consumer or market research"); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997) (holding that to prove falsity "a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers"); *Johnson & Johnson \* Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 297 (2d Cir. 1992) (stating that to recover, plaintiffs must prove either that "the challenged advertisement is literally false" or that "while the advertisement is literally true it is nevertheless likely to mislead or confuse consumers"); Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. PA. L. REV. 1305, 1320 (2011) ("False statements violate the Lanham Act without further proof of consumer deception . . . . Literally true statements must be shown to mislead consumers with extrinsic evidence.").

94 *United States v. Alvarez*, 132 S. Ct. 2537, 2547–48 (2012). The majority opinion obliquely distinguished trademark law by characterizing *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 488 U.S. 522 (1987), as a case where intervention was justified because "the lie was made for the purpose of material gain." See *Alvarez*, 132 S. Ct. at 2547. In a concurrence, Justice Breyer tackled trademark law more explicitly. While we would argue that his recital of the standard shorthand formulation too readily accepted that confusion "tends" to cause significant harm almost automatically, he strongly emphasized that trademark law aims at the resulting harm and not simply at confusion itself. *Id.* at 2554 (Breyer, J., concurring) ("[T]rademark statutes are focused upon commercial and promotional activities that are likely to dilute the value of a mark. Indeed, they typically require a showing of likely confusion, a *showing that tends to assure that the feared harm will in fact take place.*" (emphasis added)).

95 See, e.g., *Washington Legal Found. v. Henney*, 202 F.3d 331, 333 (D.C. Cir. 2000) ("[N]either Congress nor the FDA has attempted to regulate the off-label use of drugs by doctors and consumers. A physician may prescribe a legal drug to serve any purpose that he or she deems appropriate, regardless of whether the drug has been approved for that use by the FDA.").

information, not to prevent individual consumers' mistakes or reduce their cognitive effort. In these areas, as in trademark law, the confused audience does not even have standing to bring a claim.<sup>96</sup> In other cases the law declines to intervene, notwithstanding potential harm, because preventing that harm would come at the expense of important broader values such as free and fair competition or "breathing space" for open and accurate communication.<sup>97</sup>

Trademark law is (or at least ought to be) no different. Confusion is not relevant to trademark law simply in order to be kind to addle-brained consumers. Rather, avoiding certain kinds of confusion prevents erroneous decisions, maintains incentives for producers to provide consistent products, promotes market competition, and the like.<sup>98</sup> Of course, consumers ultimately benefit from better information and competition—but less directly

96 See, e.g., *PPX Enters., Inc. v. Audiofidelity, Inc.*, 746 F.2d 120, 125 (2d Cir. 1984) ("What matters [for standing] is whether a commercial party has a 'reasonable interest to be protected' against the alleged advertising."); *Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1533 (S.D.N.Y. 1994) (stating that "[s]uit may be brought only by a commercial plaintiff who can prove that its interests have been harmed by a competitor's false advertising" (citing *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222 (3d Cir. 1990))); *EventMedia Int'l, Inc. v. Time Inc. Mag. Co.*, No. 92 Civ. 0502 (JFK), 1992 WL 321629, at \*4 (S.D.N.Y. Oct. 26, 1992) ("The allegations . . . do not constitute commercial speech by a competitor for the purpose of influencing consumers to buy the competitor's services. Hence, [p]laintiffs have failed to state a claim . . .").

97 See, e.g., *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 271–72 (1964) ("[E]rroneous statement is inevitable in free debate, and . . . it must be protected if the freedoms of expression are to have the 'breathing space' that they 'need . . . to survive.'" (quoting *NAACP v. Button*, 371 U.S. 415, 433 (1963))); *Am. Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387, 391, 393–94 (8th Cir. 2004) (defining puffery broadly in order to give "advertisers and manufacturers considerable leeway to craft their statements, . . . ensuring vigorous competition, and protecting legitimate commercial speech" and downplaying survey results showing confusion because "[t]o allow a consumer survey to determine a claim's benchmark would" lead to "unpredictability [and] could chill commercial speech").

98 See, e.g., *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) ("[T]rademark law, by preventing others from copying a source-identifying mark, 'reduce[s] the customer's costs of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." (citation omitted) (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.01(2) (3d ed. 1994))); *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429 (7th Cir. 1985) ("Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market."); Lunney, *supra* note 68, at 432 ("Trademarks can, therefore, help ensure that the pricing signals received by producers from the market (or 'expressed demand') more accurately reflect consumers' actual tastes and preferences (or 'actual demand')."); I.P.L. Png & David Reitman, *Why Are Some Products Branded and Others Not?*, 38 J.L. & ECON. 207, 208–11 (1995) (presenting empirical evidence in support of the search costs rationale).

than is suggested when oversimplified linear reasoning targets confusion as the core problem. Likelihood of consumer confusion is supposed to be a heuristic that indicates the probability of subsequent harm to the consumer and the market. Like defamation, false advertising, or pharmaceutical regulation, trademark law serves a different and deeper purpose than merely policing accuracy. Trademark law therefore ought to ignore confusion unless it implicates those deeper purposes. Further, even when consumer confusion does cause relevant injury, intervening to prevent it may do more harm than good for the broader policy interests in fair competition or open communication that caused us to care about confusion in the first place. By placing confusion at the conceptual core of trademark law, courts glossed over the law's deeper purposes and the tradeoffs entailed in enforcing rights in particular settings. The cost has become quite clear over the last several decades as courts in a variety of contexts have recognized that trademark rights were bumping up against competition and communication values and have attempted to fashion new rules to protect those values. Courts have, for example, shown concern about the competitive consequences of protecting trade dress, particularly product configuration; they have attempted to carve out space for comparative advertising; they have been solicitous of private label goods that mimic the appearance of their brand name competitors; they have appreciated the value of using a trademark in connection with the unlicensed re-sale of branded goods; and they have seen the need for special rules when trademark owners complain about uses of their marks within expressive works like movies and songs.

Yet we think these new limiting doctrines have largely failed. With the exception of mechanical functionality, all of these doctrines were modeled on old approaches like those in *Prestonettes* and *Champion* that depended on a narrow scope for underlying trademark rights. As a result, they continue to depend ultimately on the absence of confusion rather than the presence of other benefits. They are not true defenses because they effectively require a shortcoming in the prima facie case. All of these doctrines therefore share two flaws: they submerge the non-confusion values rhetorically and conceptually and they impose significant administrative costs and delay on unlicensed users of trademarks. We will return here to our three illustrative fact patterns (product designs, third-party promotions, and uses in expressive works) to describe in more detail how broad confusion reasoning clashes with significant values, and how courts' attempts to manage those conflicts fall short. This will set the stage for our discussion of a preferable approach in Part III.

### A. *Recurring Conflicts*

#### 1. Product Features

As noted above, it took a long time for courts to recognize features of a product's design as trademark subject matter.<sup>99</sup> This delay stemmed in part from two concerns about trade dress protection. First, product features often affect the performance of a product, and those features are therefore potentially the subject of utility patent. Thus, allowing trademark protection of those features may undermine the integrity of the patent system and its embedded competition norms. Second, even when no patents cover a product feature, blocking potential rivals from using that feature can have particular negative effects on competition.

Current Supreme Court precedent addresses these concerns in two ways. First, product design, unlike product packaging, can never be considered inherently distinctive and is only protectable when the claimant can prove that design features have acquired source significance.<sup>100</sup> Second, there is no protection for functional product features, which the Court has defined as those that are "‘essential to the use or purpose of the article,’ or [that] ‘affect[ ] the cost or quality.’"<sup>101</sup>

When the product features in question are mechanically useful, functionality doctrine gives great weight to concerns about the effect on competition values. The strength of this doctrine is directly related to two features of the test. First, mechanical functionality is unique among existing limiting doctrines because it does not require courts to consider confusion at all. Utilitarian features are not eligible for trademark protection regardless of any confusion that may result from use of that design by others.<sup>102</sup> Second, the Supreme Court's concern about potential conflict with the substantial existing body of patent law caused it to put a heavy thumb on the scale against trademark protection for features that have any utilitarian function whatsoever.<sup>103</sup> Its decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc.* defines features as "essential to the use or purpose" of an article whenever those features are not "ornamental, incidental, or arbitrary."<sup>104</sup>

---

99 See *supra* notes 58–62 and accompanying text.

100 *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 212 (2000); see also *Qualitex*, 514 U.S. at 163 (requiring secondary meaning for color trademarks).

101 See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)).

102 See *id.* at 29 (holding that if a product feature is functional, competitors may copy it even if it would be protected against copying by other trademark principles and even though confusion may result); *Qualitex*, 514 U.S. at 164–65 (stating that regardless of confusion, the functionality doctrine aims to prevent the inhibition of competition).

103 See *TrafFix*, 532 U.S. at 29 ("A utility patent is strong evidence that the features therein claimed are functional."); *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 369 F.3d 1197, 1206–07 (11th Cir. 2004) (holding the shape and size of flash-frozen ice cream functional partly because of expired utility patents).

104 *TrafFix*, 532 U.S. at 30.

Mechanical functionality is an effective limiting doctrine because courts can resolve cases early and efficiently, avoiding fact-intensive inquiry into either consumer confusion or the adequacy of alternative designs that the defendant might have used.<sup>105</sup> To take one recent example, the Seventh Circuit affirmed summary judgment against the maker of Quilted Northern toilet paper, which claimed that a “diamond-shaped embossed design on the tissue” was a protectable trademark.<sup>106</sup> The court relied on two key facts to support the finding of functionality: the plaintiff had secured utility patents on the way the design “improve[d] (perceived) softness and bulk, and reduce[d] nesting and ridging,”<sup>107</sup> and it ran advertisements that “link[ed] the quilted feature to numerous utilitarian benefits, such as softness, comfort, and absorption.”<sup>108</sup> The court disregarded the possibility that consumers might identify the design with the plaintiff’s product (which is, after all, called *Quilted Northern*), and it refused to consider other patterns the defendant might have chosen instead.<sup>109</sup> A minority of courts still become entangled in more complex speculation about the availability of alternative designs.<sup>110</sup> Increasingly, however, judges interpret *TrafFix* to enable, and indeed require, efficient resolution of mechanical functionality disputes.<sup>111</sup> We think this is the correct reading of the case.

105 See, e.g., *id.* at 33–34 (“[T]he functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI’s product; it is the reason the device works. Other designs need not be attempted.”); *Specialized Seating, Inc. v. Greenwich Indus. L.P.*, 616 F.3d 722, 728 (7th Cir. 2010) (“All of the claimed features are functional; none was added to produce a distinctive appearance that would help consumers identify the product’s source.”); *Eppendorf–Netheler–Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 358 (5th Cir. 2002) (“Although alternative designs are relevant to the utilitarian test of functionality, alternative designs are not germane to the traditional test for functionality. Each of the eight design elements identified by Eppendorf is essential to the use or purpose of the [product], and is not arbitrary or ornamental features.”).

106 *Ga-Pac. Consumer Prods. LP v. Kimberly-Clark Corp.*, 647 F.3d 723, 726 (7th Cir. 2011).

107 *Id.* at 729.

108 *Id.* at 730 (internal quotation marks omitted).

109 *Id.* at 731 (“[W]e do not doubt that there are many other available functional designs for toilet paper (indeed, market-leader Charmin proves there are), but if the Quilted Diamond Design is a solution to a problem, as Georgia-Pacific claimed it to be in its patents, it is functional and thus remains in the sphere of patent protection and not in that of trademark. Accordingly, because we find the design to be functional, the fact that there are numerous alternative designs does not, on its own, render the design nonfunctional and incidental.” (citations omitted)).

110 See, e.g., *Valu Eng’g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1275–76 (Fed. Cir. 2002) (determining that alternative designs remain relevant even after *TrafFix*).

111 See *Groeneveld Transp. Efficiency, Inc. v. Lubecore, Int’l, Inc.*, No. 12-3545, 2013 WL 4838792, at \*7 (6th Cir. Sept. 12, 2013) (rejecting the plaintiff’s “invitation to drift back into the error of inquiring about possible alternative designs”); *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 857 (7th Cir. 2010) (“[P]atent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs.”); *Tie Tech*,



Courts have been much less successful in cases involving aesthetic or ornamental design features. In *TrafFix*, the Supreme Court explicitly included such features under the protective umbrella of functionality doctrine.<sup>112</sup> At the same time, however, it suggested that courts in these cases should consider whether granting trademark rights over aesthetic features “would put competitors at a significant *non-reputation-related* disadvantage.”<sup>113</sup> This phrasing potentially reintroduces the questions of alternative design and the consumer perception of the link between a claimed feature and the markholder’s “reputation.” It also disregards potential conflicts between trademarks for aesthetic features and the limits of design patent and copyright law, notwithstanding the fact that the Supreme Court made many of its most well-known pronouncements about the importance of copying and competition in cases that involved design patents.<sup>114</sup> As a result, courts continue to intermingle confusion reasoning with their aesthetic functionality determinations. And despite the language in *TrafFix*, some circuit courts persist in their refusal to recognize any limiting doctrine for aesthetic product features.<sup>115</sup> Overall, calling the current doctrinal landscape of aesthetic functionality chaotic would be an understatement.<sup>116</sup>

The recent dispute between fashion houses Christian Louboutin and Yves Saint Laurent concerning red outsoles on women’s shoes demonstrates the difficulty.<sup>117</sup> In its opinion, the Second Circuit fretted about inherent conflict between promotion of competition and prevention of confusion no fewer than three times, each time formulating the tradeoffs somewhat differently.<sup>118</sup> When it explained the aesthetic functionality doctrine, the court

---

Inc. v. Kinedyne Corp., 296 F.3d 778, 786 (9th Cir. 2002) (“[A] product’s manufacturer ‘does not have rights under trade dress law to compel its competitors to resort to alternative designs which have a different set of advantages and disadvantages. Such is the realm of patent law.’” (quoting *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1014 n.7 (9th Cir. 1999))).

112 *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32–33 (2001).

113 *Id.* at 32–33 (emphasis added) (internal quotation marks omitted).

114 *See, e.g.*, *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964). Some courts go so far as to say that the existence of a design patent is persuasive evidence of non-functionality. *See, e.g.*, *In re Becton-Dickson & Co.*, 675 F.3d 1368, 1375 (Fed. Cir. 2012).

115 *See, e.g.*, *Maker’s Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 679 F.3d 410, 418 (6th Cir. 2012) (expressing doubt about whether the Sixth Circuit had adopted an aesthetic functionality and what test applies); *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 487 (5th Cir. 2008) (“Our circuit has consistently rejected the concept of aesthetic functionality.”).

116 *See* Mark P. McKenna, *(Dys)functionality*, 48 HOUS. L. REV. 823, 848–50 (2011); Michael S. Mireles, Jr., *Aesthetic Functionality*, 21 TEX. INTELL. PROP. L.J. 155, 156–57 (2013).

117 *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012).

118 *Compare id.* at 216 (explaining that trademark law, rather than granting a monopoly, “seeks to preserve a ‘vigorously competitive market’ for the benefit of consumers” (quoting *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 115 (2d Cir. 2001))), *with id.* at 222 (“[C]ourts must consider both the markholder’s right to enjoy the benefits of its effort to



laid out a cumbersome sequence of inquiries in which the question of aesthetic functionality could be considered only *after* resolving all other issues of protectability and confusion.<sup>119</sup> The court warned that it was difficult to disentangle source identification from “aesthetic function,” thereby suggesting that any amount of confusion about source could negate an aesthetic functionality determination.<sup>120</sup> And it emphasized that the issue could be decided only through a “fact-specific inquiry” and never by “per se rules.”<sup>121</sup> To make matters worse, after discussing the aesthetic functionality doctrine and single-color marks for nine pages of the *Federal Reporter*,<sup>122</sup> the court eventually sidestepped the question entirely by construing Louboutin’s mark narrowly to cover only contrasting red outsoles, and not all-red shoes like those Yves Saint Laurent sold.<sup>123</sup>

We have no doubt that ornamental design features can have a significant competitive impact. It is difficult to imagine, for example, how one could effectively sell strawberry-flavored ice cream that was not pink.<sup>124</sup> Similarly, a pool hall’s particular arrangement of pool tables, dark wood, and neon beer signs may reflect common attributes of a motif that many people desire when they go out to drink and shoot pool.<sup>125</sup>

Granting exclusive control over *any* features demanded by customers is risky business. It may eliminate potential consumer errors about the connection between different brands, but it also may burden would-be market entrants, reduce consumer choices, and impede innovation. These are

---

distinguish its product and the public’s right to the ‘vigorously competitive market[ ]’ protected by the Lanham Act . . . .” (second alteration in original) (quoting *Yurman*, 262 F.3d at 115))), and *id.* at 224 (stating that “the [aesthetic] functionality test, carefully applied, can accommodate consumers’ somewhat conflicting interests in being assured enough product differentiation to avoid confusion as to source and in being afforded the benefits of competition among producers” (alteration in original) (quoting *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 978–79 (2d Cir. 1987))).

119 *See Louboutin*, 696 F.3d at 216–17.

120 *Id.* at 222.

121 *See id.* at 222–23.

122 *Id.* at 216–24.

123 *Id.* at 228.

124 *Dippin’ Dots, Inc. v. Frosty Bites Distribution, LLC*, 369 F.3d 1197, 1203–04 (11th Cir. 2004) (finding color of strawberry ice cream functional because it indicates flavor, even though the ice cream was artificially colored); *see McKenna*, *supra* note 116, at 853–54 (“Farm equipment does not work better because it is green—it does not till better, work longer, or cut more reliably—just as strawberry-flavored flash-frozen ice cream does not taste better because it is pink. If, however, consumers expect their farm equipment to be green or their strawberry-flavored ice cream to be pink, then those colors serve non-source-related functions, and they do so even if consumers also associate the colors with John Deere and Dippin’ Dots, respectively.” (footnote omitted)).

125 *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252, 1256 (9th Cir. 2001). In this actual case, there may have been enough similar decorative elements on the whole to justify the court’s conclusion that summary judgment was inappropriate. At times, however, the court appeared to rely on similarities of quite ordinary features, *id.* at 1263, that, even if they identified source, should remain available for other competitors to use.

strange outcomes for an area of law that is supposed to make markets more competitive. At one time the narrow subject matter of trademarks would have avoided these conflicts, but that time is long gone. While courts have developed an effective defensive doctrine for mechanical functionality that structurally prioritizes utilitarian features over prevention of confusion, they have been unable to do the same for other features of product design. One significant reason is their inability to accept that avoiding consumer confusion is only the means for trademark law to promote competition, not the end in itself. Prevention of confusion often can *reduce* meaningful competition, and there is no reason to believe that the first goal is systematically more important for consumer welfare than the second.<sup>126</sup>

## 2. Third-Party Promotions

Third parties often need to incorporate existing marks in promotion of their own goods or services.<sup>127</sup> An obvious example is comparative advertising by direct competitors of the markholder. Other situations include uses of a mark by third parties whose businesses intersect with the markholder's—resellers,<sup>128</sup> repairers,<sup>129</sup> or brokers,<sup>130</sup> to name a few. Finally, in the “classic” fair use scenario<sup>131</sup> a producer draws on the original “dictionary” meaning of a trademark to describe its products.<sup>132</sup>

Current trademark law covers these situations with a doctrinal potpourri—“classic” fair use under § 33(b)(4) of the Lanham Act,<sup>133</sup> nomina-

126 See Lemley & McKenna, *supra* note 20, at 179; Lunney, *supra* note 68, at 438.

127 We saw this interest in the “first sale” cases such as *Prestonettes* and *Champion Spark Plug* discussed in Part I. See *supra* notes 28–47 and accompanying text. In those cases, a refusal to allow any use of the trademark in question would prevent consumers from learning about the nature of the product.

128 See, e.g., *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130 (1947) (discussing dealers); *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, 704 F.3d 44, 50 (1st Cir. 2013) (per curiam) (requiring a clear showing of confusion against a reseller who advertised the availability of genuine Swarovski crystal using the Swarovski trademark); *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010) (involving online seller eBay's use of the Tiffany mark for authentic Tiffany products).

129 See, e.g., *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 484 (5th Cir. 2004) (holding that a repair shop could use the brand logo of the machines that it repaired); *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 351, *supplemented*, 413 F.2d 1126 (9th Cir. 1969) (same).

130 See, e.g., *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1174 (9th Cir. 2010) (allowing automobile brokers to use trademark of cars they sold); *Dow Jones & Co., Inc. v. Int'l Sec. Exch., Inc.*, 451 F.3d 295, 308 (2d Cir. 2006) (allowing options exchange to refer to trademarks of underlying funds on which it offered options).

131 The “classic” label distinguishes fair use under § 33(b)(4) of the Lanham Act from the doctrine of nominative fair use. See *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1152 (9th Cir. 2002).

132 See 15 U.S.C. § 1115(b)(4) (2006); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 122 (2004); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995).

133 See *supra* note 132.

tive fair use,<sup>134</sup> comparative advertising,<sup>135</sup> and more.<sup>136</sup> Rather than clearly sheltering competition interests based on their own importance, these approaches often become hopelessly entangled in analysis of consumer confusion.<sup>137</sup> In other cases, courts cut to the chase and go straight to a confusion analysis.<sup>138</sup> By any route, whether by applying special limiting doctrines or relying on the prima facie case, most courts hunt for confusion. They often vindicate competition interests only to the extent they determine that confusion is absent.<sup>139</sup> This is true even in the descriptive fair use context, notwithstanding the Supreme Court's holding in *KP Permanent* that the plaintiff, and not the defendant, bears the burden on the question of confusion, and that some amount of confusion is compatible with fair use. The problem is that the Court expressly countenances consideration of the extent of likeli-

134 See, e.g., *Toyota*, 610 F.3d at 1175; *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 217–21 (3d Cir. 2005); *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

135 See, e.g., *Smith v. Chanel, Inc.*, 402 F.2d 562, 569 (9th Cir. 1968) (considering the specific facts of the case when determining if there is infringement).

136 In *Waco Int'l, Inc. v. KHK Scaffolding Hous. Inc.*, the ruling depended on “fair use” but blended aspects of “classic” and nominative use together, ultimately allowing a scaffolding company to use competitor's WACO mark in the phrase “Waco-style” because it “describes the good as being similar to or compatible with Waco's products.” 278 F.3d 523, 534 (5th Cir. 2002).

137 See McGeveran, *supra* note 12, at 82–97 (critiquing “classic” and nominative fair use doctrines and their entanglement with confusion prevention); Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 821–28 (critiquing ways in which constant reference to consumer understanding destabilizes trademark law). For an unusual example of a case where a court finds a likelihood of confusion (at least at the preliminary injunction stage) yet still finds no liability because of the descriptive fair use doctrine, see *Marketquest Grp., Inc. v. BIC Corp.*, 11-CV-618 JLS WMC, 2011 WL 5360899 (S.D. Cal. Nov. 7, 2011).

138 See, e.g., *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 484–88 (5th Cir. 2004) (applying typical multifactor confusion test to determine whether independent vacuum sale and repair business infringed on Kirby trademark in telephone book advertisement); *Bumble Bee Seafoods, L.L.C. v. UFS Indus., Inc.*, No. 04 Civ. 2105(SHS), 2004 WL 1637017, at \*5 (S.D.N.Y. July 20, 2004) (allowing vendor to use Bumble Bee Tuna mark to describe main ingredient of its tuna salad in business-to-business communication because retail consumers would not see it and risk confusion); *Porsche Cars N. Am., Inc. v. Manny's Porshop, Inc.*, 972 F. Supp. 1128, 1130–33 (N.D. Ill. 1997) (applying standard test for likelihood of confusion to auto repair shop and finding for markholder).

139 See *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1362 (Fed. Cir. 2003); Graeme B. Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 109–10 (2009) (“[A]lthough cast as a ‘defense,’ the protection of comparative advertising is in fact a rather routine application of the basic premise that, so long as consumers are not confused by the defendant's use of the plaintiff's mark, the concerns of trademark and unfair competition law are not engaged by such use.” (footnote omitted)).

hood of confusion in determining fair use.<sup>140</sup> And courts have done just that.<sup>141</sup>

The confusion-oriented approach gives short shrift to the direct benefits consumers get from many third-party uses of marks. Forbidding such uses of the underlying trademark can deprive consumers of important information that they may need for purchasing decisions.<sup>142</sup> It also can disadvantage service providers like repairers and resellers who specialize in certain brands, as well as anyone who needs descriptive language to explain their products properly, by requiring them to avoid the words that most directly inform the public about their own offerings.<sup>143</sup>

Although courts and regulators did not always see comparative advertising as a similarly procompetitive practice, now they universally support com-

---

140 See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 123 (2004) ("It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and *amici* here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant's use of it cannot realistically be called descriptive. [T]o the degree that confusion is likely, a use is less likely to be found fair . . . ." (alteration in original) (citing *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (4th Cir. 1997))).

141 Indeed, on remand in that very case, the Ninth Circuit held that the degree of customer confusion remains a factor in determining fair use. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (9th Cir. 2005). Thus, having found a fact question on likelihood of confusion that precluded summary judgment for the defendant, the court found that summary judgment on the fair use defense also was inappropriate. *Id.* ("Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by [the defendant] and the availability of alternative descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which [the defendant] has used the term.").

142 See generally Grynberg, *supra* note 77 (discussing interests of consumers who are not confused in receiving information and existing doctrine's failure to serve those interests).

143 See, e.g., *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 *supplemented*, 413 F.2d 1126 (9th Cir. 1969) ("It is not disputed that Church may specialize in the repair of Volkswagen vehicles. He may also advertise to the effect that he does so, and in such advertising it would be difficult, if not impossible, for him to avoid altogether the use of the word 'Volkswagen' or its abbreviation 'VW,' which are the normal terms which, to the public at large, signify appellant's cars."); *U.S. Shoe Corp. v. Brown Grp., Inc.*, 740 F. Supp. 196, 199 (S.D.N.Y. 1990) ("[T]he fact that one might acquire trademark rights over a descriptive identifier like 'chewy' or 'lemon flavored' cannot deprive society of the opportunity to be advised by other manufacturers that their candy is chewy or lemon flavored. . . . The purpose of [§ 33(b)(4)] is to ensure that the according of monopoly trademark rights over descriptive marks (upon a showing of acquired secondary meaning) will not over-broadly deprive society of the use of those terms in their descriptive sense in commercial communication."), *aff'd*, 923 F.2d 844 (2d Cir. 1990).

petitors' uses of trademarks to situate their own products or services.<sup>144</sup> Reversing its previous hostility to comparative advertising, the Federal Trade Commission (FTC) issued an influential report in the 1970s that determined: "Comparative advertising, when truthful and nondeceptive, is a source of important information to consumers and assists them in making rational purchase decisions. Comparative advertising encourages product improvement and innovation, and can lead to lower prices in the marketplace."<sup>145</sup> By some measures, well over a third of all advertising today may be "comparative" in the sense that the advertiser identifies other products in the course of promoting its own.<sup>146</sup>

Outside of trademark law, courts and regulators have understood the value of comparative advertising and have therefore imposed liability only for *false* advertising. The FTC sets a high bar for finding advertising false—focusing not on confusion (as trademark law now does) but on deception (much as trademark law once did).<sup>147</sup> Modern false advertising law under the Lanham Act (regulated, notably, by the sub-section right next to the one imposing liability for use of unregistered trademarks) does the same: liability arises only from "false or misleading" descriptions or representations of fact, making ample space for truthful comparative advertising.<sup>148</sup> The rule that emerged from a number of landmark false advertising cases now requires a plaintiff to prove either that a defendant's challenged comparative state-

144 44 AM. JUR. 3D *Proof of Facts* § 1 (1997); see, e.g., *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995) ("The FTC believes that consumers gain from comparative advertising . . ."); *Triangle Publ'ns, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1178 (5th Cir. 1980) ("[T]he public . . . benefits from comparative advertising . . .").

145 In *Regards to Comparative Advertising*, 16 C.F.R. § 14.15(c) (2012); see FED. TRADE COMM'N, STATEMENT OF POLICY REGARDING COMPARATIVE ADVERTISING (1979), available at <http://www.ftc.gov/bcp/policystmt/ad-compare.htm>; see Lawrence D. Gaughan, *Advertisements Which Identify "Brand X": A Dialogue on the Law and Policy*, 57 TRADEMARK REP. 309 (1967) (portraying a hypothetical conversation about the shifting attitudes toward unfair competition law in the 1960s); William L. Wilkie & Paul W. Farris, *Comparison Advertising: Problems and Potential*, 39 J. MARKETING 7, 8 (1975) (explaining the FTC's goal of increasing consumer information and, as a result, improving the market through increased competition).

146 See Fred K. Beard, *Competition and Combative Advertising: An Historical Analysis*, 31 J. MACROMARKETING 387, 388 (2011) ("Estimates of comparative advertising use suggest it may be as high as 30 percent to 40 percent of all ads. Although there have been no recent content analyses of comparative advertising, some observers suggest a steady increase during the first decade of the twenty-first century." (citations omitted)).

147 Tushnet, *supra* note 93, at 1327–31 (comparing trademark and false advertising doctrine).

148 The Lanham Act defines false advertising as a false or misleading description or representation of fact "in commercial advertising or promotion [that] misrepresents . . . another person's goods, services, or commercial activities." 15 U.S.C. § 1125(a)(1)(B) (2006); see, e.g., *Smith v. Chanel, Inc.*, 402 F.2d 562, 565 (9th Cir. 1968) ("[U]se of another's trademark to identify the trademark owner's product in comparative advertising is not prohibited by either statutory or common law, absent misrepresentation regarding the products . . .").

ments are literally false or that they *in fact* misled a significant number of consumers.<sup>149</sup>

Courts in trademark cases usually seem to understand the value of the third-party promotional uses we have described, including comparative advertising. However, they apply significantly less stringent standards of potential confusion than do courts in other areas, where outright falsehood is required. A few courts have found comparative advertisements infringing based on the prospect of consumer confusion, even at times using the concept of initial interest confusion to impose liability.<sup>150</sup> More often, courts insulate comparative advertising from liability, but they demand that it does not cause confusion.<sup>151</sup> At times, courts awkwardly reconcile their recognition of the competitive importance of comparative advertising and the doctrinal dominance of confusion, bending the multifactor test to accommodate a defendant's use. Hence they are often criticized for creating special doctrines for particular types of users like resellers, brokers, or repair services.<sup>152</sup>

Courts have tried to handle certain other types of references to markholders for identification purposes under the nominative use doctrine, first articulated in *New Kids on the Block v. News America Publishing*:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.<sup>153</sup>

---

149 See *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232, 238 (2d Cir. 2001); *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 951 (3d Cir. 1993); *Johnson & Johnson \* Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 297 (2d Cir. 1992); Tushnet, *supra* note 93, at 1320.

150 See, e.g., *Home Box Office, Inc. v. Showtime/The Movie Channel Inc.*, 832 F.2d 1311, 1315 (2d Cir. 1987) (finding a cable subscription company's comparative advertisements incorporating a competitor's trademark likely to create confusion of sponsorship, because disclaimers were not sufficiently proximate to the infringing statements); *Eli Lilly & Co. v. Natural Answers, Inc.*, 86 F. Supp. 2d 834, 846 (S.D. Ind. 2000) (finding initial interest confusion against HERBROZAC herbal supplement offered as alternative to PROZAC prescription drug), *aff'd on different grounds*, 233 F.3d 456 (7th Cir. 2000). But see *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1148, 1154 (9th Cir. 2011) (reversing the district court and declining to extend initial interest confusion to "legitimate comparative and contextual advertising"); *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995) ("[The mere] 'possibility' of confusion cannot support an injunction. . . . [Otherwise] all comparative references would be forbidden . . . ." (citation omitted)).

151 See *Chanel*, 402 F.2d at 565.

152 See *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010); *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 485–86 (5th Cir. 2004) (noting that context must be considered when applying each digit of the likelihood-of-confusion test, especially considering the specific circumstances of the case and customer perception in the marketplace).

153 971 F.2d 302, 308 (9th Cir. 1992) (footnote omitted).



Too often, these factors reduce to the same pursuit of confusion because the third factor asks almost the same question about consumer perception.<sup>154</sup> In addition, some courts applying nominative use actually shifted burdens onto the defendant that belonged in the plaintiff's prima facie case.<sup>155</sup> As a consequence, courts have often rejected nominative fair use in cases where they perceived any risk of any type of confusion, or at least they have refused to resolve the case on summary judgment because the possibility of such confusion raises questions of fact.<sup>156</sup>

Overall, unlicensed uses of a trademark in third-party promotion help ensure both market access for competitors and information for consumers. Yet all the doctrines deployed in these cases subjugate those competition and information interests to the avoidance of confusion.

### 3. Uses in Expressive Works

Our third fact pattern concerns depictions of trademarks in communicative media: books and movies, video games and web sites, newspapers and magazines, fine art and music. Courts again process these frequent lawsuits through a variety of trademark doctrines, sometimes relying simply on the likelihood of confusion test, and other times using special First Amendment defenses, nominative and even descriptive fair use. But here too, many of the available doctrines—even those tailor-made to protect the speech interests at stake—are unable to shake free of the anti-confusion imperative.<sup>157</sup>

Examination of some recent trademark decisions demonstrates the breadth of such uses now subject to challenge. In some cases, trademarks appear in the backdrop in works intended to represent or at least allude to the real world. Thus, iconic buildings and billboard advertisements appear in the background when Spider-Man swings through New York City or when the *Grand Theft Auto* video game depicts a Los Angeles neighborhood.<sup>158</sup> University of Alabama football players appear in their uniforms in paintings

154 See Dinwoodie, *supra* note 139, at 110–12; Greg Lastowka, *Nominative Use Makes No Sense* (Oct. 9, 2013) (unpublished manuscript), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2338296](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2338296); McGeveran, *supra* note 12, at 95–97.

155 See *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 217–21 (3d Cir. 2005) (diagnosing this problem in other cases); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 908 n.5, 909 (9th Cir. 2003) (shifting the burden to the defendant).

156 See, e.g., *Abdul-Jabbar v. Gen. Motors Corp.*, 85 F.3d 407, 412–13 (9th Cir. 1996) (denying summary judgment where the likelihood of confusion regarding an endorsement raised issues of fact); *Standard Process, Inc. v. Total Health Disc., Inc.*, 559 F. Supp. 2d 932, 938, 942 (E.D. Wis. 2008) (rejecting nominative use and denying summary judgment on questions of fact grounds); *State Farm Mut. Auto. Ins. Co. v. Sharon Woods Collision Ctr., Inc.*, No. 1:07cv457, 2007 WL 4207158, at \*8–9 (S.D. Ohio Nov. 26, 2007) (denying summary judgment because the possibility of confusion raised issues of fact).

157 See McGeveran, *supra* note 12, at 112–13 (summarizing how frequently trademark's "fair use" doctrines collapse into reexamination of confusion issues).

158 See *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008); *Sherwood 48 Assocs. v. Sony Corp. of Am.*, 76 F. App'x 389, 391 (2d Cir. 2003).



intended to capture scenes from historic college football games.<sup>159</sup> At other times, storytellers draw on the cultural meaning of a mark to make a point—about the markholder itself, or about something the markholder represents. When the producers of the comedy film *The Hangover II* wanted to show a character's social ineptitude and snobbery, they had him carry a knockoff Louis Vuitton bag and waspishly object, mispronouncing the brand name, when his friend touched the bag.<sup>160</sup> The band Aqua used Barbie as its reference point to mock the superficial lifestyle it believed the doll represented,<sup>161</sup> just as Tom Forsythe used Barbie dolls in his conceptual art.<sup>162</sup> Haute Diggity Dog made dog toys in the shape of handbags to mock Louis Vuitton and other luxury brands.<sup>163</sup> When web sites for consumer complaints merely use trademarks to identify markholders, they can get sued too.<sup>164</sup>

Well into the 1990s, most courts were quite hard on such depictions of trademarks. Similar to their focus on alternative designs in functionality cases, courts often found these depictions infringing because they believed the defendants had “alternative avenues” through which they could have achieved their communicative goal without using the plaintiffs’ trademarks.<sup>165</sup> These courts implicitly concluded that any potential confusion about the association of the markholder with the expressive use would cause such serious harm that communication values could only be accommodated if absolutely necessary.<sup>166</sup> Not surprisingly, they rarely believed accommoda-

---

159 See *Univ. of Ala. Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266, 1282 (11th Cir. 2012). In the interest of full disclosure, one of us (McKenna) was the lead author of an amicus brief supporting the defendant in this case and argued on behalf of amici. The other (McGeeveran) signed the amicus brief.

160 *Louis Vuitton Malletier S.A. v. Warner Bros. Entm’t Inc.*, 868 F. Supp. 2d 172, 174–75 (S.D.N.Y. 2012).

161 *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 899 (9th Cir. 2002).

162 *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 796 (9th Cir. 2003).

163 *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 256 (4th Cir. 2007).

164 See, e.g., *deVere Grp. GmbH v. Opinion Corp.*, 877 F. Supp. 2d 67 (E.D.N.Y. 2012) (lawsuit by financial company for use of its trade name in complaints on gripe site *PissedConsumer.com*).

165 See *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987); *Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979); *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 734 (D. Minn. 1998); *Brach Van Houten Holding, Inc. v. Save Brach’s Coal. for Chi.*, 856 F. Supp. 472, 476 (N.D. Ill. 1994).

166 Cases in which the user lacked alternative avenues would resemble the rare situations covered by copyright’s merger doctrine—the exclusive right yields because there is just one viable way to express an idea. See *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678 (1st Cir. 1967) (“When the uncopyrightable subject matter is very narrow, so that the topic necessarily requires, if not only one form of expression, at best only a limited number, to permit copyrighting would mean that a party or parties, by copyrighting a mere handful of forms, could exhaust all possibilities of future use of the substance.” (citations omitted) (internal quotation marks omitted)).

tion was necessary. Plaintiffs and courts can almost always brainstorm different ways a speaker might have conveyed roughly the same message without using trademarks—especially when they focus only on the content of the message and not its humor, immediacy, realism, or pungency.<sup>167</sup>

Most courts facing these issues in the last decade or so have adopted some variety of a so-called “First Amendment defense,” which they usually attribute to the Second Circuit’s decision in *Rogers v. Grimaldi*.<sup>168</sup> *Rogers* explicitly repudiated the “alternative avenues” approach,<sup>169</sup> and the test it articulated allows use of a mark in the context of an expressive work unless the use has “no artistic relevance” or it “explicitly misleads as to the source or the content of the work.”<sup>170</sup> Now courts following this lead routinely say that curtailment of free expression must be weighed against likelihood of confusion rather than assuming automatically that such artistic uses must avoid all potential for confusion.<sup>171</sup>

This is a big improvement. But it would be wrong to say that courts considering media depictions have set consumer confusion aside completely. They are still weighing confusion against expression, as stated in *Rogers*.<sup>172</sup> Indeed, many still pay tribute to the importance of confusion by emphasizing (or simply asserting) that the uses before them would only result in minimal confusion. The *Hangover II* decision should have been stating the obvious when it declared, “[I]f a trademark is not used, in any direct sense, to designate the source or sponsorship of the defendant’s work, then the consumer interest in avoiding deception is too slight to warrant application of the Lanham Act.”<sup>173</sup> This statement also suggests that the analysis might change if

167 See, e.g., *Am. Dairy Queen Corp.*, 35 F. Supp. 2d at 734 (“It is not for this Court to name films, but it appears she has rejected ideas such as ‘Dairy Princesses,’ ‘Milk Maids,’ or any other formulation, except that single title which touches [Dairy Queen’s] mark.”).

168 875 F.2d 994, 998 (2d Cir. 1989).

169 *Id.* at 999.

170 *Id.* The specific question in that case was whether the defendant could use Ginger Rogers’s name in the title of a fictional film about dancers whose nicknames were Fred and Ginger. *Id.* at 996. The court’s test therefore specifically focused on use of a mark in the title of an expressive work, but the case has been applied more broadly in recent years.

171 See Kerry L. Timbers & Julia Huston, “*The Artistic Relevance Test*” *Just Became Relevant: The Increasing Strength of the First Amendment as a Defense to Trademark Infringement and Dilution*, 93 TRADEMARK REP. 1278, 1278 (2003).

172 *Rogers*, 875 F.2d at 999 (“[I]n general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”). Ninth Circuit cases drive the point home by italicizing the word “outweighs” in this quote. See *E.S.S. Entm’t 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1099 (9th Cir. 2008); *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 807 (9th Cir. 2003); see also *Univ. of Ala. Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266, 1278 (11th Cir. 2012) (stating that court must “weigh the public interest in free expression against the public interest in avoiding consumer confusion”) (quoting *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp.*, 886 F.2d 490, 494 (2d Cir.1989)).

173 *Louis Vuitton Malletier S.A. v. Warner Bros. Entm’t Inc.*, 868 F. Supp. 2d 172, 180 (S.D.N.Y. 2012) (quoting *Syler v. Woodruff*, 610 F. Supp. 2d 256, 266 (S.D.N.Y. 2009)) (internal quotation marks omitted).

the risk of confusion were greater. The precise mechanics for weighing confusion created by these kinds of uses vary from one court to another. Some courts still interpret “explicit misleadingness” in a way that comes quite close to an inquiry into whether the use is likely to cause confusion. In the Second Circuit, where *Rogers* originated, courts long engaged in free-form balancing of the full traditional multifactor analysis of likelihood of confusion against the speech interests at stake.<sup>174</sup> Other circuits have combined *Rogers* and confusion reasoning in various ways.<sup>175</sup> And some hiccups remain. A number of Ninth Circuit district courts have recently conflated the “no artistic relevance” requirement with the nominative fair use requirement that the defendant’s communication refer to the *plaintiff’s* mark.<sup>176</sup>

The speech character of trademarks implicates interests distinct from the competition values noted above. A trademark might be crucial to communication *about* a company or product—how does one praise or criticize

---

174 See *Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993) (introducing this concept); see also *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 502 (2d Cir. 1996) (using the likelihood of confusion test before looking at other concerns); *Kensington Publ’g Corp. v. Gutierrez*, No. 05 Civ. 10529(LTS) (AJP), 2009 WL 4277080, at \*6 (S.D.N.Y. Nov. 10, 2009) (finding it necessary to resolve both likelihood of confusion and explicitly misleading inquiries, and finding both unsuitable for summary judgment); *Lemme v. Nat’l Broad. Co.*, 472 F. Supp. 2d 433, 446 (E.D.N.Y. 2007) (finding artistic relevance and then turning to confusion); *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 339 (S.D.N.Y. 2000) (holding First Amendment protections and likelihood of confusion tests must be balanced); cf. *Syler v. Woodruff*, 610 F. Supp. 2d 256, 264–65 (S.D.N.Y. 2009) (combining traditional confusion, *Rogers*, and a secondary meaning test).

175 See, e.g., *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 667–68 (5th Cir. 2000) (requiring likelihood of confusion to be “particularly compelling” to outweigh First Amendment interests, but affirming lower court’s finding that it was); *Martha Elizabeth, Inc. v. Scripps Networks Interactive, LLC*, No. 1:10-CV-1244, 2011 WL 1750711, at \*21, \*25 (W.D. Mich. May 9, 2011) (granting partial preliminary injunction against defendant B360 because of likelihood of confusion and related failure to show the use was not explicitly misleading); *Club Méditerranée, S.A. v. Fox Searchlight Pictures, Inc.*, No. 04-20273-CIV., 2004 WL 5589591, at \*4 (S.D. Fla. 2004) (finding *Rogers* satisfied because likelihood of confusion was low). But see *ETW Corp. v. Jireh Publ’g, Inc.*, 332 F.3d 915, 926 (6th Cir. 2003) (“[W]here the defendant has articulated a colorable claim that the use of a celebrity’s identity is protected by the First Amendment, the likelihood of confusion test is not appropriate because it fails to adequately consider the interests protected by the First Amendment.”).

176 This interpretation appears to have originated in *Rebelution, LLC v. Perez*, 732 F. Supp. 2d 883, 888–89 (N.D. Cal. 2010). See *Dita, Inc. v. Mendez*, No. CV 10-6277 PSG (FMOx), 2010 WL 5140855, at \*2 (C.D. Cal. Dec. 14, 2010) (“This case . . . differs materially . . . [because i]n such cases, the First Amendment was implicated because the defendant used a trademarked term to describe or comment upon the *plaintiff’s* mark or product—not merely to promote its own product.”); *Masters Software, Inc. v. Discovery Commc’ns, Inc.*, 725 F. Supp. 2d 1294, 1306 (W.D. Wash. 2010) (holding that the First Amendment was not implicated because defendant’s name was not an allusion to plaintiff’s trademark).

Barbie or Nike without using their names?<sup>177</sup> Trademarks may be necessary for faithful portrayals of our ubiquitously branded world and for evoking the ideas crystallized most effectively in modern brands.<sup>178</sup> Recently some scholars have also argued that marks convey other important signals to consumers beyond source, through which individuals can fulfill distinct goals in aspects of their lives unrelated to direct purchasing behavior.<sup>179</sup> The Supreme Court increasingly emphasizes that commercial speech of all types has value for citizens, even if it is less than the value of traditionally favored forms of discourse such as politics or art.<sup>180</sup>

While courts seem increasingly to understand the importance of protecting the type of expressive uses we have highlighted, their doctrinal tools still sometimes weigh the absence of confusion heavily. We think it is obvious that the cultural value of Andy Warhol's *32 Campbell's Soup Cans* overcomes any slight risk that a few people would mistakenly assume an affiliation between the soup company and his art, but under current doctrine this is not always clear.<sup>181</sup>

---

177 See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 33 (1st Cir. 1987).

178 See Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 402 (1990); Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 972–73 (1993).

179 See Desai, *supra* note 81, at 987 (“Marketing and business disciplines look to a more open, democratic understanding of brands precisely because such an approach enhances the value of brands and fits with the way brands operate in the marketplace. Trademark law ought embrace just such a perspective. Furthermore, an open approach creates room for individuals and communities to use brands as a locus of personal expression, political debate, and market discussion.”); Dilbary, *supra* note 81, at 622–23 (“Specifically, three inseparable demands reside within a branded product. The first is a demand for the product itself: the physical and functional attributes of a suit, a perfume, a salad dressing. . . . The second kind of demand is for intra-brand information about the product’s credence qualities. . . . The third demand is for the image or psychological pleasure associated with the mark’s fame. . . . Put differently, the trademark does not act to increase sales only by economizing on consumers’ search costs or by minimizing consumers’ error costs.” (footnotes omitted)); Jeremy N. Sheff, *Veblen Brands*, 96 MINN. L. REV. 769, 803 (2012) (“[T]he ‘quality’ sought by consumers in the market for status goods is the quality of the message the brand conveys: its ability to communicate social status to others.” (emphasis omitted)).

180 See, e.g., *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 516 (1996) (holding that Rhode Island statute prohibiting alcohol price advertisements violated First Amendment); *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765, 770 (1976) (striking down a Virginia law penalizing pharmacists who advertised any price on prescription drugs and finding a strong societal interest in the “free flow of [consumer] information”); Jon M. Garon, *Beyond the First Amendment: Shaping the Contours of Commercial Speech in Video Games, Virtual Worlds, and Social Media*, 2012 UTAH L. REV. 607, 642; Martin H. Redish, *Commercial Speech, First Amendment Intuitionism and the Twilight Zone of Viewpoint Discrimination*, 41 LOY. L.A. L. REV. 67, 67 (2007).

181 See Bruce P. Keller & Rebecca Tushnet, *Even More Parodic than the Real Thing: Parody Lawsuits Revisited*, 94 TRADEMARK REP. 979, 1013 (2004).

### B. Taking Stock of These Approaches

These examples illustrate a common theme. In each instance, critical values other than confusion are at stake: fair competition (product features), open communication (uses in expressive works), or both (comparative advertising and other third-party promotions). Yet in all of these cases, courts develop doctrines that insist on lack of confusion as a condition of the limitation, or they otherwise let their concerns about possible confusion infect their analyses. In some cases, this leads courts to bad decisions because they give insufficient weight to competition or communication values in order to prevent confusion—often confusion of a type unlikely to harm consumers or markholders significantly.

More frequently, the possibility of a costly lawsuit scares people away from trademark-related activities that the law should allow, or even encourage.<sup>182</sup> That is true even if defendants ultimately are likely to have their uses vindicated. For example, despite considerable scholarly criticism of the treatment of parody in trademark law,<sup>183</sup> most courts do find their way to the correct results in parody cases, particularly after appeal.<sup>184</sup> But even when courts find ways to accommodate these uses, problems for defendants arise much earlier. As one of us has argued previously, before courts render decisions, and often before markholders even file suit, the prospect of lengthy and costly litigation discourages beneficial unlicensed uses of trade-

182 See McGeveran, *supra* note 12, at 61–66 (discussing chilling effect of uncertain and burdensome limiting doctrines for expressive uses).

183 See, e.g., Stacey L. Dogan & Mark A. Lemley, *Parody As Brand*, 47 U.C. DAVIS L. REV. (forthcoming 2013) (manuscript at 2–3), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2170498](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2170498) (last visited Oct. 17, 2013); Pratheepan Gulasekaram, *Policing the Border Between Trademarks and Free Speech: Protecting Unauthorized Trademark Use in Expressive Works*, 80 WASH. L. REV. 887, 913 (2005); Elizabeth L. Rosenblatt, *Rethinking the Parameters of Trademark Use in Entertainment*, 61 FLA. L. REV. 1011, 1073–80 (2009); David A. Simon, *The Confusion Trap: Rethinking Parody in Trademark Law*, 33 WASH. L. REV. (forthcoming 2013), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2161622](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2161622) (last visited Oct. 17, 2013).

184 In their recent examination of brand parodies, Dogan and Lemley cite only two court cases since 2000 holding a parodist liable for trademark infringement, *Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003), which only found questions of material fact that precluded summary judgment, and *Anheuser-Busch, Inc. v. VIP Prods., LLC*, 666 F. Supp. 2d 974 (E.D. Mo. 2008), which we would argue was clearly wrongly decided, even under current law. See Dogan & Lemley, *supra* note 183, at 16, 35; see also *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 119 (2d Cir. 2009) (finding no likelihood of confusion in the context of a claim of infringement of STARBUCKS mark by CHARBUCKS coffee, but remanding for dilution analysis). The more representative case is *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 899, 908 (9th Cir. 2002), which found no trademark violation and concluded, “[t]he parties are advised to chill.” Bad outcomes are more common in some of the other areas we discuss in this Article, however, and in any event, as noted below, they do not represent the only threat to values like competition and communication.

marks.<sup>185</sup> Funneling every question through the likelihood of confusion analysis typically requires defendants to engage in protracted trench warfare. Trademark cases are expensive. Less than six percent of cases end in damages awards, according to one analysis.<sup>186</sup> But the legal fees can be enormous,<sup>187</sup> not least because of the difficulty of adjudicating likelihood of confusion.<sup>188</sup> Most alternative doctrinal approaches we have seen, such as aesthetic functionality or nominative fair use, can be equally time consuming, fact specific, and expensive to litigate. Worse, because defendants are often unsure which of these limiting doctrines a court will recognize or apply, they must argue them all, and simultaneously mount a robust defense on likelihood of confusion anyway. And regardless, since almost all of the alternatives collapse into a confusion inquiry, the amorphous and fact-specific issue of consumer perception takes center stage.<sup>189</sup>

This expense and uncertainty, in turn, influences choices made prior to any formal legal action. Markholders stoke those fears by perpetuating broad claims of rights in cease-and-desist demand letters that can misrepresent the current state of the law, or at least make a very one-sided case that the recipient's use of a mark infringes on it.<sup>190</sup> For example, last year Pen-

185 See McGeveran, *supra* note 12, at 62–63 (discussing the expense of litigation and describing trademark rights clearance practices to avoid liability); McGeveran, *supra* note 47, at 2279–86 (discussing administrative costs in trademark law); see also Dogan & Lemley, *supra* note 183, at 17 (discussing the dual problems of incorrect results and administrative costs in litigation).

186 Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 622 (2008).

187 LAW PRACTICE MGMT. COMM., AM. INTELLECTUAL PROP. LAW ASS'N, 2011 REPORT OF THE ECONOMIC SURVEY I-157 (2011) (reporting an average litigation cost of \$401,000 in trademark cases where the amount in controversy was less than \$1 million).

188 Because confusion is a question of fact, summary judgment is disfavored. See *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252, 1265, 1267 (9th Cir. 2001) (reversing summary judgment and stating that the “likelihood of confusion is routinely submitted for jury determination as a question of fact” (quoting *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 n.5 (9th Cir. 1985))); *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 616 (7th Cir. 1993) (“[A] motion for summary judgment in trademark infringement cases must be approached with great caution.”); *Country Floors, Inc. v. Gepner*, 930 F.2d 1056, 1062–63 (3d Cir. 1991) (referring to summary judgment in trademark cases as the “exception”); 6 MCCARTHY, *supra* note 21, §§ 132:120–32:121.

189 See McGeveran, *supra* note 47, at 2275 (“[Trademark litigation is] uncertain, lengthy, and expensive. Courts choose from a grab bag of doctrines related to ‘fair use,’ configured somewhat differently in various jurisdictions.”).

190 Leah Chan Grinstead, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 644 (“[I]n the pre-litigation enforcement stage, the assessment of the strength of one’s trademark and its corresponding scope of protection is privately conducted, which means that the trademark owner can feel free to claim strength where there is none. As there are few bright-line rules in trademark law, this self-assessment is prone to subjectivity. Trademark owners cross the line into bullying when they take advantage of this subjectivity and contend that their trademark is worthy of strong protection without the evidence to support high levels of consumer recognition.” (footnote omitted)); Port, *supra* note 186, at 589 (“[S]ome trademark holders send thousands of cease-and-desist letters to the point that



guin Books objected to the proposed cover of humorist David Thorne's self-published book, which featured a penguin making a rude gesture. Ignoring the shift toward *Rogers v. Grimaldi* and protection for parody and expressive uses found in more recent decisions,<sup>191</sup> Penguin's lawyer sent a dense four-page cease-and-desist letter that cited only cases from the 1990s and earlier.<sup>192</sup> Those cases are no longer representative, but their existence chills legitimate uses. Even when lawyers engage in no more than zealous advocacy and craft scrupulously accurate cease-and-desist letters, they certainly know that recipients are likely to surrender rather than litigate. As a consequence, most disputes of the types we discuss in this article never enter the courthouse door.

A doctrine that often reaches correct results, but only by imposing high litigation costs, offers cold comfort to most would-be competitors or commentators. Some of those affected will be businesses challenging an incumbent markholder in a market, and litigation risk will add to the already daunting barriers to entry. Others will be artists, critics, or gadflies of limited means. Even when they have resources—such as a movie studio producing a big-budget film—these players may well choose not to risk litigation. Indeed, intermediaries with the capacity to fight (not to mention their insurers) often take the most conservative approach of all toward using claimed trademarks without permission.

Rather than fight to vindicate their right to make unlicensed use, people clear rights, design around competitors' "aesthetic" features, or engage in circumlocution to avoid references when they would have every right to use the trademark. Over time, myths arise about the necessity of securing licenses, and these harden into standard practice.<sup>193</sup> When parties who would like to use a mark elect not to pursue that use, it deprives consumers (and society as a whole) of the benefits their uses would have generated. The result is less competition, less speech, or, at best, some potentially inadequate alternatives. Markholders, meanwhile, can use the threat of trademark litigation as a weapon to curb competition and stifle negative commentary.

---

there are now 'sample' cease-and-desist letters available on the internet. These cease-and-desist letters are followed by hundreds of trademark infringement filings. These cases are almost never prosecuted to a conclusion on their merits. In fact, if prosecuted to a trial on their merits, the trademark holder/plaintiff would likely lose because they are not very meritorious claims." (footnotes omitted)).

191 See *supra* notes 168–71 and accompanying text.

192 DAVID THORNE, I'LL GO HOME THEN; IT'S WARM AND HAS CHAIRS 93–96 (2012) (including reprinted version of cease-and-desist letter).

193 See James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 913 (2007) ("[T]rademark law not only provides supracompensatory monetary remedies, but also strongly presumes that prevailing rights-holders deserve injunctions, both preliminary and permanent. It should therefore come as no surprise when trademark users who could mount a decent defense against an infringement claim nevertheless choose to seek a license." (footnotes omitted)); McKenna, *supra* note 137, at 823 ("[T]he modern marketplace abounds with licensing arrangements unimaginable in the traditional trademark era.").

Trademark law badly needs more robust and predictable limiting doctrines. These doctrines would allow courts to identify certain categories of cases as potentially impinging on competition or communication and set those cases apart for special treatment. Importantly, courts need to be able to resolve such cases expeditiously and with few administrative costs. That means these limiting doctrines must look at confusion differently—sometimes disregarding it altogether, but in all such cases responding only to the most harmful forms of confusion. The next Part lays the groundwork for some limiting doctrines of this sort.

### III. A FRAMEWORK FOR LIMITING DOCTRINES

We turn in this final Part to reform. What types of doctrinal innovations can effectively protect defendants whose uses promote the goals of competition and communication identified in this Article? This Part lays out a strategy for handling cases that raise these competing interests.

In summary, we suggest a three-step approach to such cases. First, courts should identify categories of cases that raise particularly important competition or speech concerns and make threshold decisions about whether the facts in a particular case fit within those categories.<sup>194</sup> Second, within those categories, courts should think about likelihood of confusion very differently than they do now. This will require them to distinguish between *types* of confusion and treat some more seriously than others.<sup>195</sup> Indeed, in certain categories of cases, they will need to ignore some types of confusion altogether. Third, in all the cases identified at the outset as presenting competition or communication interests, courts ought to limit the scope of the remedies available so as to match them more closely to any harm caused by relevant confusion.<sup>196</sup>

The doctrinal approach we describe is both more nuanced (in that it acknowledges and deals with conflicting values in trademark law) and more structured (in that it yields a clearer decisional flowchart for these cases than the indeterminate confusion-based analysis and grab bag of vaguely elaborated defenses that dominate trademark law today). While it may seem like a cumbersome process, it is much less so than the current practice, which requires full confusion analysis of uses that should be insulated from trademark liability altogether, with unsatisfactory results.

#### A. *Threshold Classification*

Canonical scholarship in law and economics favors the development of clearer rules for fact patterns that arise repeatedly.<sup>197</sup> The capacious, multifactor likelihood of confusion test is nearly the opposite of a bright-line

---

194 See *infra* Section III.A.

195 See *infra* Section III.B.

196 See *infra* Section III.C.

197 See Isaac Ehrlich & Richard A. Posner, *An Economic Analysis of Legal Rulemaking*, 3 J. LEGAL STUD. 257, 266 (1974); Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42

rule. Yet we know that certain fact patterns typically raise issues besides likelihood of confusion—including the product design features, third-party promotional uses, and uses in expressive works discussed in Part II. Courts can organize these and other predictable types of cases into prescribed categories, while leaving room to identify other unusual situations that they might encounter.

Moreover, while these categories of repeated trademark disputes present values like competition and communication on the defendant's side of the scale, we showed in Part I that they also have a strong tendency to implicate only weaker forms of confusion on the plaintiff's side.<sup>198</sup> These generally are not the most serious cases of passing off that have always stood as trademark law's central concerns. Analyzing all of these situations through the same ill-fitting lens of likelihood of confusion imposes significant costs on courts and litigants. In the terms of decision theory, we are now paying very high administrative costs to prevent harm that is both relatively modest in severity and relatively unlikely to occur.<sup>199</sup> And we are doing it to the detriment of other key values distinct from the prevention of confusion.

Thus, in our view, the first question a court should ask when hearing a trademark case is one of classification: does this case fall within a category that merits special treatment? We suggest the only criterion here should be whether the challenged use of the trademark strongly implicates competition or communication values other than confusion. Most run-of-the-mill trademark cases will not, and courts can proceed to handle those cases under ordinary infringement principles. But if the facts presented do implicate other concerns besides confusion prevention, the court should approach liability and remedy differently.

Engaging first in this classification exercise offers multiple advantages. Perhaps most significantly, this approach places the fundamental competition and communication values at the forefront. Rather than pretending that an analysis of consumer confusion implicitly accounts for every legitimate concern, this doctrinal structure acknowledges frankly that protection of trademarks sometimes creates tension with other important values.<sup>200</sup> If

---

DUKE L.J. 557, 621 (1992). See generally McGeeveran, *supra* note 47, at 2290–91 (applying insight to trademark defenses).

198 See *supra* subsection I.B.1.

199 See McGeeveran, *supra* note 47, at 2284–86.

200 See Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 886 (2004) (“Trademark rights, then, are a product of far more—and far less—than what ‘real’ consumers think or believe. The characteristics of the ‘ordinarily prudent consumer’ are partly empirically determined, but they are also shaped by judicial assumptions about consumer beliefs and values, by economic policy concerns, such as the preservation of after markets, and also by a number of doctrinal and constitutional limitations.”); Lunney, *supra* note 68, at 481 (“[T]he issue of whether confusion should be actionable turns not merely on a factual analysis of whether confusion exists, but on a policy determination that the type of confusion present warrants legal intervention. Too often courts simply plug the facts of a case into their version of the *Polaroid* factor test and pretend that the result is necessarily a sensible one. By doing so, they foreclose a careful consideration of

an infringement finding would significantly impair other important values then judges should figure that out before wrestling with likelihood of confusion. Forcing these conflicts to the surface will allow more clear-eyed doctrinal development.<sup>201</sup>

Identifying cases deserving of special treatment right off the bat also will help courts move them through litigation more efficiently. By segregating cases before reaching the likelihood of confusion test, the initial sorting can help reduce the cost of litigation—and therefore the chilling effect—for cases within the identified categories. These “fast lane” doctrines need not be affirmative defenses in the sense that they are entirely distinct from the *prima facie* case of infringement; what concerns us is that they can be raised and decided early in the litigation because they do not depend on questions for which as much factual development typically will be necessary.<sup>202</sup>

Our approach thus shares the goals of other proposals that sought early interventions on behalf of socially valuable uses of trademarks.<sup>203</sup> But those other proposals generally fall prey to the dominance of confusion reasoning and the circularity of consulting consumer perception. For example, a number of scholars and courts worked to establish a threshold “trademark use” requirement that they hoped would, in one doctrinal stroke, remove cases as varied as keyword advertising, expressive uses, parodies, nominative uses, comparative advertising, and others from the ambit of trademark law.<sup>204</sup> Under this doctrine, defendants would not be liable if they used the plain-

---

whether the confusion present is a type of confusion that is likely to generate inefficiencies sufficient to justify a legal prohibition in the first place.” (footnote omitted)).

201 See Dinwoodie, *supra* note 139, at 101 (“Conceiving of limits as *defenses* would help ensure that the (often unstated) values underlying socially desirable third party uses are given greater prominence and not too readily disregarded if they happen to conflict with confusion-avoidance concerns that are historically powerful drivers of trademark protection. Such an approach would also ameliorate the uncertainties caused by the acceptance of extended (and increasingly amorphous) notions of actionable harm in trademark law.”); McGeveran, *supra* note 12, at 71–74 (arguing that the likelihood of confusion analysis fails to consider balancing interests in free expression and other goals).

202 See McGeveran, *supra* note 14, at 32 (“[C]ases eligible for the fast lane should be those where the outcome was fairly predictable from the beginning, far from equipoise. Applying presumptions to those cases, as discussed above, further lightens any burden of persuasion.”).

203 See *infra* notes 204–07 and accompanying text.

204 See Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1674 (2007) (“[T]he trademark use doctrine, properly applied, serves as a limited tool for identifying classes of behavior that cannot constitute infringement.”); see also Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371, 395–96 (2006) (“In the course of evaluating infringement and dilution claims in this new and unique setting [on the Internet], courts have too often lost sight of the important limiting function the trademark use requirement should play.”); Goldman, *supra* note 79, at 593–95 (finding a trademark use requirement in the Lanham Act and arguing for rigorous application of the doctrine to immunize search providers from liability); Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603, 708 (2004) (“[T]he misinterpretation of the trademark use requirement—or more accurately, the flat-out disregard of that requirement—has given rise to a veritable

tiff's mark in some way other than "as a mark."<sup>205</sup> Both of us have argued before that these efforts were doomed because they required courts to consult the very same fickle consumer perception that anchors the likelihood of confusion analysis.<sup>206</sup> Unsurprisingly (to us, at least) these approaches have not turned out to be effective.<sup>207</sup> Our approach avoids these problems, at least to a much greater degree.

Finally, initial categorization recognizes that attempts to reconcile conflicts between confusion and other values on a case-by-case basis are not successful or appropriate. Courts need to pre-commit to tradeoffs between values at the level of doctrinal structure. These pre-commitments can vary in their intensity, as described in the next Section. But pre-commitment strategies integrate crucial value tradeoffs directly into trademark law's doctrinal structure. Obviously we do not ask judges in patent cases to decide on a case-by-case basis whether the public interest is better served by conferring exclusivity over an invention or allowing the public to use it. Those broader policy considerations are instead channeled through a series of more specific doctrinal determinations—most significantly, whether the claimed invention is patentable subject matter and is useful, novel, and non-obvious.<sup>208</sup> Unfortunately, because trademark law has developed in such a lopsided fashion with its overemphasis on confusion, judges confronted with socially beneficial uses of marks are often asked to make precisely the kinds of open-ended policy judgments we reject in other settings. Identifying cases that are appropriate subjects of limiting doctrines and handling them in a systematic way will restore rule-of-law principles to trademark adjudication. And it will place other important values on the same level of the analysis as consumer confusion rather than subordinating them.

---

cottage industry among the courts, an entire line of cases that are wrongly decided, that impose trademark infringement liability where none exists . . .").

205 See, e.g., Widmaier, *supra* note 204, at 608 ("Keyword use is not trademark infringement. It is, in fact, not conduct that invokes the trademark laws at all because it does not involve the primary predicate of trademark law, which is that a term or symbol be used by the party *as a mark*—meaning in a way so that consumers can plainly perceive the symbol *and* associate it with that party's offering of goods or services.").

206 See McGeveran, *supra* note 12, at 79–80 ("The ultimate question posed by the trademark use doctrines asks if a particular use invites an interpretation as a source identifier. . . . An approach to defining trademark use grounded in consumer understanding collapses completely into a slightly different way of asking the crucial likelihood of confusion question."); McKenna, *supra* note 137, at 814 ("In all of these contexts and others, a court or the Trademark Office must determine whether a contested term performs a source identifying function or some other function. And in all cases, the determination depends in whole or in part on consumer perception of the use." (footnote omitted)).

207 See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130–31 (2d Cir. 2009) (finding that the sale of Internet search keywords including trademarks was a "use in commerce" under the Lanham Act). Only a handful of relatively unique cases have relied on "trademark use" to resolve the case. See, e.g., *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 409–12 (2d Cir. 2005) (finding that competitive pop-up advertisements that appeared after accessing plaintiff's website were not a trademark use).

208 See 35 U.S.C. §§ 101–103 (2006 & Supp. V 2011).

Many of the classification decisions in our approach will be easy. Most of the time, it will be clear when facts plausibly present an issue of, say, comparative advertising or use in expressive works. Indeed, courts' experience thus far applying *Rogers v. Grimaldi* suggests that they are comfortable making these sorts of categorization decisions.<sup>209</sup> Whatever other difficulties they have had, courts have not struggled to determine when the defendant's use is expressive and therefore subject to the *Rogers* approach. But even if the relative clarity of categorization avoids plunging *every* case into the murky confusion inquiry, there will of course be some cases in which it is difficult to tell whether a particular use of a trademark fits in the protected category. That is an inevitable consequence of drawing legal boundaries.<sup>210</sup>

As an example of a tricky initial classification, consider a suit by the maker of the modernized Volkswagen Beetle against the publisher of a children's board book called *Fun Cars*.<sup>211</sup> The cover depicted the design of the Beetle—trade dress registered as a trademark—along with plastic rolling wheels at the bottom.<sup>212</sup> As described below,<sup>213</sup> we believe trademark law should observe a categorical defense for expressive uses, and depiction in a book would clearly qualify. But is *Fun Cars* a book or a toy? The answer isn't obvious. And the resulting analysis could have become a little pedantic, as trademark law sometimes is (for example: Can books have wheels? Can toys have pages?). The court seemed to consider it a book, but of course existing doctrine did not require any choice.<sup>214</sup> If it was indeed a book, then the use of the trade dress as part of a book's content implicated communication values, and these are too important to be disregarded simply because of a nebulous concern about source association. Moreover, whatever confusion might exist is remote from traditional passing off, so harm is quite attenuated, at best. If, on the other hand, the object was better considered a toy, then perhaps the communication values at stake were somewhat less weighty.<sup>215</sup>

209 See, e.g., *ETW Corp. v. Jireh Publ'g, Inc.*, 332 F.3d 915, 920 (6th Cir. 2003) (categorizing the use of a celebrity's name in the title of an artistic work as protected per *Rogers*); *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc.*, 886 F.2d 490, 495 (2d Cir. 1989) (classifying the use as a parody, a category within artistic expression and protected per *Rogers*); see also *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1099–1100 (9th Cir. 2008) (noting that plaintiff conceded that use in video game “is artistic and that therefore the *Rogers* test applies”).

210 See *Am. Waltham Watch Co. v. U.S. Watch Co.*, 53 N.E. 141, 142 (Mass. 1899) (“It is desirable that the plaintiff should not lose custom by reason of the public mistaking another manufacturer for it. It is desirable that the defendant should be free to manufacture watches at Waltham, and to tell the world that it does so. The two desiderata cannot both be had to their full extent, and we have to fix the boundaries as best we can.”).

211 *Volkswagen AG v. Dorling Kindersley Publ'g, Inc.*, 614 F. Supp. 2d 793, 798 (E.D. Mich. 2009).

212 *Id.* at 799.

213 See *infra* subsection III.B.1.

214 *Volkswagen*, 614 F. Supp. 2d at 802.

215 This is not to imply that toys have no communicative value or that trademark law ought to reach uses like this. It is only to say that as compared to books, toys may be less obviously deserving of special, fast-track treatment.



Even though initial classification occasionally may be difficult, it has the significant virtues noted above of honesty, efficiency, and systematic decision-making. Under our proposal, courts first decide whether a use fits into categories that are defined without any regard to consumer confusion. In other words, we want judges to start by asking what the use *is* (is it a product design feature, comparative advertising, sale of second-hand merchandise, artistic expression?) rather than what the use *is not* (does it avoid confusion?).

*B. A Different Approach to Confusion*

As we have noted, the purpose of engaging in this initial categorization is to allow courts to identify cases where confusion should be analyzed differently than the overly broad approach common in modern trademark law. More specifically, we suggest two types of differential treatment.

First, in some sets of cases that raise particularly significant conflicts with other values while routinely posing little serious risk of passing off, courts should disregard confusion entirely. There may be remedies through unfair competition law for attendant behavior that is likely to deceive consumers about actual source.<sup>216</sup> But placing a case in this category would foreclose trademark-based liability. A second group of cases would not involve *categorical* exemptions from liability but would require a much more limited confusion inquiry. The only relevant concern in these cases would be true passing off—hence courts would declare legally irrelevant any form of confusion other than confusion regarding the actual source of a product. Sponsorship or affiliation confusion, and particularly initial interest and post-sale confusion, would not be relevant because those forms of confusion would not outweigh the significant competition and communication interests supporting the defendant's use.

This kind of categorization scheme depends on the fundamental conviction that not all confusion is equally bad and that courts must be willing, once again, to differentiate among *types* of confusion. Some types of confusion are simply unlikely to lead to any real harm at all. Even where confusion might lead to some articulable harm, it might be a variety of harm that trademark law should not address—or at least not in situations where other values point in the opposite direction. Better differentiation between types of confusion should free courts to ignore some of it altogether where warranted by the importance of other values. Moreover, even when courts balance confusion against other values rather than ignoring it, they can treat different types of confusion differently.

Below we identify a few types of cases we believe fit each of these treatment categories. We do not suggest that this list is exhaustive—indeed, we mean for these examples to be illustrative and for courts to remain open to identifying other defined categories of cases that deserve different treatment because they systematically implicate important competition or communication values. Of the three fact patterns discussed earlier, we conclude that

---

216 See *infra* Section III.C.

product features and most uses in expressive works would go down the first track, while third-party promotions generally belong on the second.

### 1. Categorical Exemptions

The first and most robust sort of limiting doctrine would immunize all behavior within a defined category. A court would simply determine whether a defendant's use of a mark fits in the category; if so, there would be no trademark infringement liability regardless of any potential for confusion. As the Supreme Court has emphasized, these are the only defenses that really deserve the name.<sup>217</sup>

Graeme Dinwoodie calls these types of limiting doctrines "trumping defenses."<sup>218</sup> One could also call them safe harbors, categorical defenses, or exemptions. They are routine in other areas of law, frequently but not always structured as affirmative defenses. In tort, necessity and self-defense overcome even the clearest proof that the elements of an intentional tort were met.<sup>219</sup> Likewise, a party accused of breaching a contract who demonstrates lack of capacity to enter the contract, or fraud or mutual mistake in its negotiation, will escape liability for that breach.<sup>220</sup> In trademark law, some situations also should provide complete immunity against infringement liability (although, as described in Section III.C, limited remedies may be available under the more stringent standards of unfair competition law). We think at least two categories of cases deserve this treatment: uses of functional product design features (with some differences between mechanically and aesthetically functional features) and uses within expressive works.

#### a. Functional Product Features

As we noted above, mechanical functionality is currently the closest thing we have to a categorical exclusion from liability because it precludes liability without regard for confusion of any kind.<sup>221</sup> But in order for functionality to serve the purposes we advocate here, courts must take *Traffix* seriously, asking only whether a feature is arbitrary vis-à-vis the function of

217 *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004).

218 Dinwoodie, *supra* note 139, at 151.

219 *See Ploof v. Putnam*, 71 A. 188, 189 (Vt. 1908) (holding that necessity justifies entries upon land which otherwise would have been trespasses). Indeed, self-defense is generally a complete defense even to a claim by an innocent third party who was accidentally injured by a defendant justifiably responding to a threat of imminent bodily harm by some other person, unless the defendant realized or should have realized his actions created an unreasonable risk of harm to others. *See Morris v. Platt*, 32 Conn. 75, 83, 87 (1864); RESTATEMENT (THIRD) OF TORTS: PHYSICAL AND EMOTIONAL HARM § 5 cmt. b (2010).

220 RESTATEMENT (SECOND) OF CONTRACTS § 309 cmt. a (1981).

221 In the formal sense, non-functionality is most often an element of the *prima facie* case rather than an affirmative defense because most trade dress is unregistered. But we are concerned with limiting doctrines based on their real-world operation, not on their technical status as a matter of civil procedure. And in this sense, functionality is a categorical exclusion.

the article, without regard to alternative designs.<sup>222</sup> As the Supreme Court made clear, design features are functional if they are “essential to the use or purpose” or “affect[ ] the cost or quality” of a product, and the features fit those descriptions when they are not “arbitrary, incidental, or ornamental.”<sup>223</sup> To the extent a design feature relates at all to the article’s function, it is functional—even if there are many other ways of designing the feature to achieve the same function.

Mechanical functionality deserves this categorical treatment because it prevents trademark law from undermining patent law’s competition norms. Patent law strikes a careful bargain: it offers very strong protection, even against those who have invented independently, but that protection is available only for new, useful, and nonobvious inventions that are adequately disclosed in an enabling patent application.<sup>224</sup> Patent protection also lasts for only twenty years from the date of application for most inventions,<sup>225</sup> unlike trademark protection, which is potentially infinite in duration. The functionality doctrine prevents parties from harming competition by evading these limitations and acquiring exclusive rights of potentially unlimited duration in unpatented or formerly patented features.<sup>226</sup> As the Ninth Circuit said in *Tie Tech, Inc. v. Kinedyne Corp.*, “a product’s manufacturer ‘does not have rights under trade dress law to compel its competitors to resort to alternative designs which have a different set of advantages and disadvantages. Such is the realm of patent law.’”<sup>227</sup>

Patent law’s limitations promote competition by ensuring that “[i]n general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.”<sup>228</sup> And by protecting the integrity of patent law’s bargain, functionality secures competitors’ *rights* to copy unpatented useful features.<sup>229</sup> This is true regardless of whether the particular feature at issue was previously claimed in a patent—unless the feature is

222 See *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001); *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 358 (5th Cir. 2002) (“[A]lternative designs are not germane to the traditional test for functionality.”).

223 *Traffix*, 532 U.S. at 33–35.

224 See 35 U.S.C. §§ 101–103, 112 (2006 & Supp. V 2011).

225 *Id.* § 154(a)(2).

226 See *Traffix*, 532 U.S. at 29, 34–35 (cautioning against misuse or overextension of trade dress protection, in light of patent law’s limitations); *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 857 (7th Cir. 2010) (“[P]atent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs.”).

227 296 F.3d 778, 786 (9th Cir. 2002) (quoting *Leatherman Tool Grp., Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1014 n.7 (9th Cir. 1999)).

228 *Traffix*, 532 U.S. at 29.

229 As the Supreme Court said in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,

[t]he attractiveness of [the patent] bargain, and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a backdrop of free competition in the exploitation of unpatented designs and innovations. The novelty and nonobviousness requirements of patentability embody a congressional understanding, implicit in the Patent Clause itself, that free

arbitrary or incidental vis-à-vis the article, it should be subject to the rules of that realm with their deeply embedded competition values.<sup>230</sup> Functional features, even if never patented, are simply not within trademark law's proper domain.<sup>231</sup>

In principle, we believe that courts should extend much the same treatment to cases currently adjudicated under the "aesthetic functionality" doctrine. Ornamental design features like the pink color of strawberry ice cream or the layout and décor of a quintessential pool hall may confer marketplace advantages every bit as important as the dual-spring design of a traffic sign.<sup>232</sup> And, like mechanical functionality, protection of those design features threatens to disrupt the balance of other intellectual property regimes—in this instance, design patents and copyrights. Thus, we can imagine, and indeed aspire to, an aesthetic functionality doctrine that mirrors mechanical functionality and treats certain design features as categorically unprotectable as trademarks.

We are not, however, convinced at this point that we could identify a mechanism for identifying the design features that would fit in this category as clearly as mechanical functionality doctrine has done, with respect to utilitarian features. Unfortunately, we doubt that design patent law has developed sensible boundaries to its domain.<sup>233</sup> Without that clear external reference point, it is difficult to replicate a strong categorical rule like *Traffix*.

Acknowledging this deficiency should not mean ignoring the very real competitive consequences that can be created by trademark protection for ornamental design. As a second-best solution, courts ought to take seriously the *Traffix* Court's instruction that aesthetic features should be deemed

---

exploitation of ideas will be the rule, to which the protection of a federal patent is the exception.

489 U.S. 141, 151 (1989).

230 *Traffix*, 532 U.S. at 32 ("[E]ven if there has been no previous utility patent the party asserting trade dress has the burden to establish the nonfunctionality of alleged trade dress features."); see *Jay Franco*, 615 F.3d at 857–58 (describing utility patents as "excellent cheat sheets" for assessing functionality, but noting that "[f]unctionality is determined by a feature's usefulness, not its patentability or its infringement of a patent").

231 See McKenna, *supra* note 137, at 834 ("[Functional] features fall outside of trademark law's reach not because of the consequences of trademark protection for particular competitors, but to preserve the broader structure of the intellectual property system."); cf. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964) ("An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so.").

232 See *supra* notes 112–26 and accompanying text.

233 On the incoherence of modern design patent doctrine, see Mark P. McKenna & Katherine J. Strandburg, *Progress and Competition in Design*, 17 STAN. TECH. L. REV. (forthcoming 2013) (arguing that a design patent system can only be coherent if it focuses on improvements in the integration of form and function, but refraining from taking a position on whether patents are needed to incentivize such improvements); see also Jason J. DuMont, *A Non-Obvious Design: Reexamining the Origins of the Design Patent Standard*, 45 GONZ. L. REV. 531 (2009) (detailing the development of the design patent standard).

functional when they put competitors at a “significant non-reputation-related disadvantage.”<sup>234</sup> We think this language should be interpreted to require that a defendant show that the design element at issue offers competitive advantages which arise from something other than the source significance of the plaintiff’s mark. When a feature offers those advantages, it should be deemed functional *even if it might also have source significance and its use by the defendant might cause confusion*. To put it differently, courts should recognize that competitive disadvantage and source designation are not mutually exclusive, and they should give precedence to competitive importance over any possible source indication. Courts accustomed to thinking of consumer confusion as the ultimate enemy in trademark cases have instead tended to assume that *any* association between the design feature and the asserted mark’s “reputation” disqualifies it from aesthetic functionality.<sup>235</sup> That inverts the required showing. Instead of protecting legitimate competition interests notwithstanding the accompanying risk of some consumer confusion, courts strive to prevent confusion even if doing so harms competition.

We can illustrate our approach with shoe design. Many attributes of shoes clearly fall within traditional mechanical functionality—perhaps a distinctive shape for the sole that absorbs shock from running, or perhaps a stitching method that lowers the cost of manufacture. Consumers will care about the improved performance they receive from the first feature and the reduced price they gain from the second. Because these features clearly are not arbitrary vis-à-vis the shoes’ function, courts should have no trouble declaring those features functional regardless of how much consumers might associate the sole shape or stitching pattern with a markholder who used them first.<sup>236</sup>

Other features of shoe design are more cosmetic, but also very important to consumers, and therefore to efficient competition. In these situations, courts likewise should entertain arguments from defendants that identify those competitive advantages. The claims must be factually credible, of course. A defendant who copied the Nike “swoosh” logo would have little hope of demonstrating any such advantage. It would create likely consumer confusion, but more importantly for our purposes, consumers would not demand that design for any plausible reason other than its connection to Nike. A court could reject the limiting doctrine in that case and move on to a more routine analysis of consumer confusion, as it does in ordinary trademark cases.

On the other hand, where a defendant can offer credible marketplace reasons for the use of a design feature, that use should be permitted without

---

234 *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001) (citing *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159, 165 (1995)).

235 *See, e.g., Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1067–72 (9th Cir. 2006).

236 Of course, if the features are covered by valid patents, copying is forbidden for other reasons. But in the absence of a patent, outlawing copies through trademark law subverts the patent regime.

reference to the mark's reputation. Yves Saint Laurent's use of a red outsole on a monochromatic red shoe clearly offered a competitive advantage independent of any association with the Louis Vuitton trademark.<sup>237</sup> Without access to that feature, YSL could not sell an entirely red shoe. Thus, under our approach, the court should have deemed the red outsole aesthetically functional even if consumers also associated that feature with Louboutin. And it should have done so without having inquired into confusion.

This approach has the significant advantage of focusing the early stages of litigation on an assessment of claims about market-based benefits rather than consumer confusion. As we have noted, we think courts should analyze competition interests explicitly and transparently rather than submerging them in anti-confusion reasoning. Adjudicating aesthetic functionality cleanly at the outset of a case gets to the key point faster, reducing the burdens of time and expense imposed on defendants who would benefit from the limiting doctrine.

As we will elaborate below, where the circumstances that accompany the use of the design feature threaten to cause passing off, we envision other remedies being available.<sup>238</sup> But those remedies cannot be based on the use of a competitively important feature itself, and they will not choke off all access to that feature.

#### b. Uses in Expressive Works

One of us has proposed a safe harbor for uses of trademarks within the body of "communicative works."<sup>239</sup> Vehicles for expression such as books, movies, or web sites often will use trademarks as part of their messages, whether to discuss the mark or simply to include it in a representation of the heavily branded world around us. Risk of infringement liability—or more often the apprehension of protracted litigation necessary to fight liability—chills speech. This problem is sufficiently serious that an application of trademark law to prevent such speech should require strong justification. But in fact the justification is quite weak, because depicting a mark *within* an expressive work has at most an indirect reputational effect on the mark. It certainly does not divert customers at the point of purchase.

Consider an example of recent litigation noted earlier, where the video game *Grand Theft Auto* included a strip club with some similarity to an East Los Angeles establishment called the Play Pen.<sup>240</sup> The plaintiff proffered a survey that, on its face, showed some confusion. The court quite rightly saw this claim of potential consumer confusion as attenuated—at most, a person who had already acquired the game might see the depiction and mistakenly

---

<sup>237</sup> See *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 225–28 (2d Cir. 2012).

<sup>238</sup> See *infra* Section III.C.

<sup>239</sup> McGeveran, *supra* note 47, at 2307–12.

<sup>240</sup> *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1097 (9th Cir. 2008).



assume some connection between the club and the game.<sup>241</sup> On the other side of the balance, the court noted reasons that media content, including video games, generally deserves strong legal protection to safeguard freedom of expression.<sup>242</sup> The district court and appeals court ultimately held for the defendant, but the litigation was protracted and involved consideration of multiple different doctrines.<sup>243</sup> *New Life Art* was even more egregious in this respect—just as in *Grand Theft Auto*, the court of appeals ultimately determined that the depiction of University of Alabama football players in their uniforms was protected under *Rogers*, but that decision came after nearly eight years of litigation and consideration of a wide variety of arguments for the validity of the defendant's use.<sup>244</sup>

It is difficult to imagine how the balance could come out differently in cases like these, where the defendant depicts the plaintiff's trademark within an expressive work. Given this cluster of cases with predictable results, the importance of the threatened communication value, and the low error costs of allowing some increment of confusion about affiliation, decision theory would call for a cut-and-dried rule.<sup>245</sup> Moreover, a safe harbor in these cases allows judges to intervene to cut the feedback loop between legal opinions and consumers' assumptions about connections between markholders and the art or entertainment in which their brands appear.<sup>246</sup>

An additional argument also supports a safe harbor for expressive works. Just as courts in mechanical functionality cases try not to disturb the arrangements of patent law (and we argue aesthetic functionality should do the same with design patent law), courts in these disputes should limit liability for media depictions to avoid conflict with the First Amendment.<sup>247</sup> The increasing judicial willingness to protect the use of trademarks within expressive works, primarily through application of *Rogers v. Grimaldi*, has improved decisions in those cases considerably. Nevertheless, we think a categorical safe harbor would better allow courts to dispose of these cases cleanly and quickly.<sup>248</sup>

---

241 *Id.* at 1100–01.

242 *Id.* at 1099.

243 *Id.* at 1098–1101; *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.*, 444 F. Supp. 2d 1012, 1027–49 (C.D. Cal. 2006), *aff'd*, 547 F.3d 1095, 1097 (9th Cir. 2008).

244 *Univ. of Ala. Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266 (11th Cir. 2012).

245 McGeveran, *supra* note 47, at 2290–91.

246 *See* Gibson, *supra* note 193, at 907–08.

247 *See* Gulasekaram, *supra* note 174, at 894; Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. Rev. 381, 447 (2008).

248 Because many of these cases involve the use of trademark law to control aspects of copyrighted or copyrightable works, one of us has previously argued that the Supreme Court's decision in *Dastar v. Twentieth Century Fox* should be interpreted to rule out categorically claims based on confusion that arises out of the content of a creative work. *See* Mark P. McKenna, *Dastar's Next Stand*, 19 J. INTEL. PROP. 357 (2012).

## 2. Limiting Relevant Confusion

Other identifiable sets of cases also implicate important competition and communication values, but at the same time present some risk of serious confusion that cannot be ignored categorically. Courts should identify these uses of marks in advance as a threshold matter, but then send them down a different track than the one that effectively immunizes qualifying conduct. Instead, courts should declare that they only enforce trademarks in these cases to prevent the core harm of passing off, so that the only legally relevant confusion is confusion as to the actual source of the defendant's goods.<sup>249</sup> Other more ephemeral confusion-based harms are outweighed by the competitive importance of comparative advertising, descriptive fair use, and other such marketplace uses of a mark.

Our other fact pattern, concerning uses of a mark by third parties to promote their own goods, falls into this category. A recent Ninth Circuit decision, *Toyota Motor Sales, U.S.A., Inc. v. Tabari*,<sup>250</sup> takes a somewhat better approach to nominative use that is more consistent with our recommendations. The defendants in that case were independent auto brokers who specialized in identifying Lexus vehicles for their customers to purchase.<sup>251</sup> They maintained web sites at <buy-a-lexus.com> and <buyorleaselexus.com>.<sup>252</sup> The district court had found infringement after applying the ordinary likelihood of confusion test.<sup>253</sup> Finding the requirements for the *New Kids on the Block* nominative fair use test<sup>254</sup> satisfied, the Ninth Circuit reversed and remanded.<sup>255</sup> That result illustrates welcome sensitivity to competition and communication values by allowing the defendants to describe their services accurately to consumers; after all, they helped customers to "buy a Lexus."

For purposes of this discussion, the doctrinal structure outlined in the decision proves even more important. According to *Tabari*, "[a] defendant seeking to assert nominative fair use as a defense need only show that it used the mark to refer to the trademarked good. . . . The burden then reverts to the plaintiff to show a likelihood of confusion."<sup>256</sup> That showing by the

---

249 See Lemley & McKenna, *supra* note 1, at 448–53.

250 610 F.3d 1171 (9th Cir. 2010).

251 *Id.* at 1174.

252 *Id.* at 1175.

253 *Id.*

254 See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) ("First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder." (footnote omitted)).

255 *Tabari*, 610 F.3d at 1180–82 (finding that (1) Lexus was not readily identifiable without using its trademark; (2) the defendants did not use any more of the trademark than necessary to make that reference (at least by the time of the trial); and (3) they had done nothing to suggest sponsorship or affiliation with Lexus).

256 *Id.* at 1183.

plaintiff proceeds under the three-part nominative use test, not the ordinary multifactor likelihood of confusion test.<sup>257</sup> This structure immediately sets aside nominative use cases for special treatment, but without going so far as to create a categorical safe harbor. The threshold test identifies the clear competition and confusion interests at stake in the auto broker's use of the LEXUS mark. It then moves a case quickly to the ultimate decision.<sup>258</sup> Perhaps most significantly, *Tabari* shows some inclination to distinguish among types of confusion and declare some types irrelevant, just as we advocate. The court specifically holds initial interest confusion (or "momentary uncertainty"), potentially a ground for liability in ordinary cases, inadequate to preclude nominative use.<sup>259</sup> And, as we discuss further below, the Ninth Circuit limited the remedies available to a plaintiff in a nominative fair use case.<sup>260</sup>

Our criticism of *Tabari* is that its confusion test still entertains too many forms of confusion, so it still cannot be sufficiently disentangled from the ordinary confusion analysis. According to the Ninth Circuit:

The third factor [of the *New Kids* test] speaks directly to the risk of such confusion, and the others do so indirectly: Consumers may reasonably infer *sponsorship or endorsement* if a company uses an unnecessary trademark or "more" of a mark than necessary. But if the nominative use satisfies the three-factor *New Kids* test, it doesn't infringe.<sup>261</sup>

It is difficult to take this part of *Tabari* at face value. If it were really willing to entertain sponsorship or affiliation confusion, then it appears the Ninth Circuit was simply declaring by fiat that nominative uses never cause such confusion. It is, however, entirely unclear what empirical basis there is for this conclusion, and it is equally unclear what it means for a company to use an "unnecessary" trademark or "more" than is necessary. Indeed, this formulation seems to invite factual disputes.

It would have been much better if, rather than relying on a dubious empirical claim, the court had simply declared some forms of confusion legally irrelevant. Specifically, we think the rule should be that a nominative use does not infringe unless the use is likely to cause confusion about actual source. Then the inquiry would not be about the necessity of the use or

---

257 *Id.* at 1182 ("Toyota must bear the burden of establishing that the Tabaris' use of the Lexus mark was *not* nominative fair use.").

258 It certainly does so faster than the Third Circuit's "bifurcated" approach to nominative use that first requires a confusion analysis very similar to the usual multifactor test and only then turns to a nominative use affirmative defense. See *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 221–22 (3d Cir. 2005) (describing sequence under which nearly full likelihood of confusion analysis must come first); see also *Keurig, Inc. v. Sturm Foods, Inc.*, No. 10–841–SLR, 2012 WL 4049799, at \*10 (D. Del. Sept. 13, 2012) (denying summary judgment on trademark infringement claims related to nominative use because of factual questions about likelihood of confusion); McGeveran, *supra* note 12, at 91–93 (discussing delays caused by structure of nominative use defense).

259 *Tabari*, 610 F.3d at 1179.

260 See *infra* note 277 and accompanying text.

261 *Tabari*, 610 F.3d at 1176 (emphasis added).

whether there was too much use, but instead would be tightly focused on the only type of confusion that ought to matter here.

The *Tabari* court's own hypothetical helps make this point. The court suggested that the domain name <lexus.com> would be different from the URL the brokers used in the case, <buy-a-lexus.com>.<sup>262</sup> That intuition may be sound, but not the court's doctrinal explanation. The opinion unhelpfully distinguished these two examples on the ground that only <lexus.com> "actively" suggests sponsorship or affiliation.<sup>263</sup> It is not at all clear why one of these URLs suggests anything more "actively" than the other, or indeed how a domain name "actively" suggests anything at all. What really makes the court uneasy about <lexus.com> is the *kind* of confusion it threatens, not whether it does so *actively*. In the imaginary case where the defendant used a domain name identical to the plaintiff's mark, offered the same goods as the plaintiff, and failed to disclaim any connection with the plaintiff, there would be a significant risk of passing off. This type of third-party promotional use—but only this type—should be subjected to ordinary confusion analysis.

The approach we have just described fits comparative advertising cases more generally, since those cases are really just a species of nominative fair use. Take, for example, a case like *Smith v. Chanel, Inc.*<sup>264</sup> The defendant in that case advertised "The Ta'Ron Line of Perfumes" and stated that "the Ta'Ron perfumes 'duplicate 100% perfect the exact scent of the world's finest and most expensive perfumes and colognes at prices that will zoom sales to volumes you have never before experienced!'"<sup>265</sup> The advertisement further "suggested that a 'Blindfold Test' be used 'on skeptical prospects,' challenging them to detect any difference between a well known fragrance and the Ta'Ron 'duplicate.'" One suggested challenge was, "We dare you to try to detect any difference between Chanel #5 (25.00) and Ta'Ron's 2nd Chance. \$7.00."<sup>266</sup> Finally, the advertisement contained an order form in which "each Ta'Ron fragrance was listed with the name of the well known fragrance which it purportedly duplicated immediately beneath. Below 'Second Chance' appeared '(Chanel #5)'. The asterisk referred to a statement at the

262 *Id.* at 1179 (citing Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 122–24, 140, 158 (2005)).

263 *Id.* ("When a domain name making nominative use of a mark does not *actively suggest* sponsorship or endorsement, the worst that can happen is that some consumers may arrive at the site uncertain as to what they will find. . . . Outside the special case of trademark.com, or domains that *actively claim affiliation* with the trademark holder, consumers don't form any firm expectations about the sponsorship of a website until they've seen the landing page—if then. This is sensible agnosticism, not consumer confusion. So long as the site as a whole does not suggest sponsorship or endorsement by the trademark holder, such *momentary uncertainty* does not preclude a finding of nominative fair use." (emphasis added) (citations omitted)).

264 *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968).

265 *Id.* at 563.

266 *Id.*

bottom of the form reading ‘Registered Trade Name of Original Fragrance House.’”<sup>267</sup>

Given the obviously comparative nature of the advertisement, under our proposal this case would be channeled into the category where passing off is the only harm addressed by trademark infringement liability. Implicitly, this is just what the court did. Although it claimed that the advertisement must not have caused confusion at all, it never entertained the confusion issue once it determined clearly that there was no danger of passing off. Instead, it concluded that Chanel’s “reputation [was] not directly at stake. [Ta’Ron’s] advertisement makes it clear that the product they offer is their own. If it proves to be inferior, they, not [Chanel], will bear the burden of consumer disapproval.”<sup>268</sup>

Courts’ failure to make their reasoning transparent requires them to consider evidence of confusion in every case, which imposes significant costs. And it hides from litigants the true bases for these decisions. Things would be improved considerably (and rule of law values promoted) if courts would simply say that uses in comparative advertising are not infringing unless they pose a risk of passing off. We recommend declaring explicitly that the type of confusion, not just the amount, matters—at least in cases involving competition and speech interests like these.

And this brings us back, at last, to the *Prestonettes* and *Champion* cases we discussed in Part I. It is a testament to the expansion of confusion in trademark law that the same “first sale” facts that those courts could settle using the inherent boundaries of the *prima facie* case now require a special limiting doctrine. But they do, because the shift from deception to confusion so expanded the types of associations that can create infringement liability. While we are taking a different route to get to the conclusion of non-infringement, however, the justification is the same. Competition and communication values support allowing a company to tell consumers what it sells. Those values can be outweighed only when the resulting harm to competition is the most serious type of confusion. The next and final Section explains how we see remedial structures helping to address these situations.

### C. Remedy

Finally, in addition to thinking about confusion differently when faced with conflicts between confusion prevention and other values, we believe courts should be more flexible and judicious in the remedies they apply. This means slightly different things for cases on the first (“safe harbor”) track and those on the second (“passing off only”) track, but in both instances our proposals share the same motivation: tailoring remedies more closely to the precise harm at issue.

For cases on the “safe harbor” track, we have said that courts should ignore confusion issues. This means there is no trademark remedy for any

---

<sup>267</sup> *Id.*

<sup>268</sup> *Id.* at 569.

such confusion. But, as we indicated, a more limited remedy might still be available under unfair competition law. We borrow here from a long history of cases in which courts have found the claimed mark generic and thus ineligible for trademark protection, but have nevertheless enjoined certain behavior under the principles of unfair competition in order to prevent passing off.<sup>269</sup> The injunctions in these cases cannot serve as an end run around genericism by depriving competitors of the right to use the generic terms, however. An opinion written by Justice Ruth Bader Ginsburg when she served on the Court of Appeals explained:

The subsequent competitor cannot be prevented from using the generic term to denote itself or its product, but it may be enjoined from passing itself or its product off as the first organization or its product. Thus, a court may require the competitor to take whatever steps are necessary to distinguish itself or its product from the first organization or its product.<sup>270</sup>

Courts also can and should make it clear that remedies in the safe harbor category may apply only to the instant case. As it happens, a ruling of mechanical functionality effectively precludes all future trademark protection for a design feature, because a proper understanding of *Traffix* means that design features are “essential to the use or purpose” of an article whenever they play a role in its operation.<sup>271</sup> Once a court renders this judgment about the markholder’s design, it will apply equally with respect to all competitors seeking to use that same feature of the design.<sup>272</sup>

Not all determinations of safe harbor protection need have such universal application. A finding of markholder acquiescence as to one defendant using the mark for one period of time with particular facts about notice does not invalidate the markholder’s rights to use the mark.<sup>273</sup> In copyright law, the statutory exemption for using protected works in face-to-face classroom teaching<sup>274</sup> does not alter the copyright owner’s rights vis-à-vis any other use—even other educational uses, which usually must be adjudicated under the more amorphous standards of fair use.<sup>275</sup> And if A defeats a trespass

269 See, e.g., *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 116 (1938); *Blinded Veterans Ass’n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1043 (D.C. Cir. 1989); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 581 (2d Cir. 1963).

270 *Blinded Veterans*, 872 F.2d at 1043.

271 *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33–34 (2001); see *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355 (5th Cir. 2002) (“[T]rade dress protection extends only to incidental, arbitrary or ornamental product features which identify the source of the product. If a product feature is functional, it cannot be protected trade dress.”); McKenna, *supra* note 137, at 832–33 (distinguishing between a product’s “arbitrary flourish” in contrast to an “essential” feature playing a “role in the article’s function”).

272 Indeed, because of nonmutual issue preclusion, the ruling may well be binding in future litigation against any competitor involving the same feature.

273 See 6 McCARTHY, *supra* note 21, § 31:43 (“[T]he defense of laches or acquiescence merely results in a loss of rights as against one defendant.”).

274 17 U.S.C. § 110 (2012).

275 See *id.*



claim with a necessity defense, it does not permit B to trespass on Black-acre—or even allow A to trespass later in different circumstances. In a similar way, aesthetic functionality need not always be a permanent all-or-nothing determination, depending on the nature of the consumer demand in a particular case. That merchandising companies need access to university names to compete in the t-shirt market does not mean other universities could necessarily use the same name without risk of liability. Nor does the fact that Louis Vuitton cannot stop movie producers from referring to their handbags mean that other handbag companies can call their bags Louis Vuitton.<sup>276</sup>

This is important because many judges appear sensitive to the financial consequences of eliminating legal protection for brand assets. Courts do not lightly find abandonment or genericism—two other determinations that strip trademark rights across the board.<sup>277</sup> We think this discomfort sometimes encourages judges to stretch to find potential confusion in cases involving other values. For this reason, our proposal for safe harbors channels courts to examine the nature of a defendant's particular use of a trademark, without necessarily requiring any broad holdings about the nature of a markholder's rights in other cases.

In situations like third-party promotions, we also think remedial modesty is in order. Here, again, *Tabari* provides a positive example. The district court had enjoined the defendant auto brokers “from using ‘any . . . domain name, service mark, trademark, trade name, meta tag or other commercial indication of origin that includes the mark LEXUS.’”<sup>278</sup> This is just the sort of blanket injunction against all use of the mark that courts impose so often. It disregards the consumer's interests in straightforward communication about the types of cars available through independent auto brokers and in the enhanced competition between auto dealers made possible by their work.<sup>279</sup> In order to prevent the possibility of rather ill-defined momentary confusion from the use of the LEXUS mark in the brokers' domain name, the injunction forbade the Tabaris from uttering the brand name at all—even if they bent over backwards to do so in ways that informed consumers about their own services and minimized the risk of confusion. That was too much, according to the Ninth Circuit, because “[p]rohibition of such truth-

---

276 In fact, this same logic would apply even in mechanical functionality cases. The fact that a dual-spring design is essential to the use or purpose of traffic signs does not mean that the design would not be protectable when depicted as part of a logo. The reason we tend to think of functionality as a validity doctrine is that functionality cases uniformly deal with rights to a particular design as against others who wish to use the design as a feature of a competitive product. Of course, that only reinforces the overlap with patent law.

277 See *TMT N. Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 885 (7th Cir. 1997) (abandonment); 2 McCARTHY, *supra* note 21, § 12:1 (genericism).

278 *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010) (alteration in original).

279 *Id.* at 1174–75 (“Consumers like this [auto broker] service, as it increases competition among dealers, resulting in greater selection at lower prices. For many of the same reasons, auto manufacturers and dealers aren’t so keen on it, as it undermines dealers’ territorial exclusivity and lowers profit margins.”).

ful and non-misleading speech does not advance the Lanham Act's purpose of protecting consumers and preventing unfair competition; in fact, it undermines that rationale by frustrating honest communication between the Tabaris and their customers."<sup>280</sup> Indeed, in nominative use cases, this type of injunction is almost never appropriate: "If the nominative use does not satisfy all the *New Kids* factors, the district court may order defendants to modify their use of the mark so that all three factors are satisfied; it may not enjoin nominative use of the mark altogether."<sup>281</sup> In other words, the court must enjoin the minimum amount necessary to bring a nominative use into compliance. The only exception is in cases in which the defendant cannot or will not modify its use.<sup>282</sup>

Many of the "first sale" cases involving repaired or reconditioned goods raise concerns about one other type of possible confusion: the characteristics of the goods, particularly their repaired or reconditioned status. In *Nitro Leisure Products, L.L.C. v. Acushnet Co.*, for example, the defendant was selling both "recycled" and "refurbished" golf balls, on which it maintained or reprinted the trademark of the original seller.<sup>283</sup> As the Federal Circuit described it:

The first category of balls are "recycled" balls. The recycled balls are those found in relatively good condition, needing little more than washing, and are repackaged for resale. . . . The second category includes balls that are found with stains, scuffs or blemishes, requiring "refurbishing." Nitro's refurbishing process includes cosmetically treating the balls by removing the base coat of paint, the clear coat layer, and the trademark and model markings without damaging the covers of the balls, and then repainting the balls, adding a clear coat, and reaffixing the original manufacturer's trademark. Nitro also applies directly to each "refurbished" ball the legend "USED & REFURBISHED BY SECOND CHANCE" or "USED AND REFURBISHED BY GOLFBALLSDIRECT.COM." In these statements, the terms "Second Chance" and "Golfballsdirect.com" refer to businesses of Nitro. Some, but not all, of the refurbished balls also bear a Nitro trademark. Nitro's refurbished balls are packaged in containers displaying the following disclaimer:

ATTENTION USED/REFURBISHED GOLF BALLS: The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/Refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty.<sup>284</sup>

In this kind of case, just as in *Champion*, there is a concern that the recycled or refurbished condition of the golf balls be adequately disclosed to consum-

280 *Id.* at 1176–77.

281 *Id.* at 1176.

282 *Id.* at 1176 n.2.

283 *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1358 (Fed. Cir. 2003).

284 *Id.* at 1358 (citation omitted).

ers so that they not only know that they are buying from Nitro rather than the original seller, but also that the goods they are buying may differ significantly from new products.<sup>285</sup> We think this concern really sounds more in false advertising than in trademark, since it is fundamentally about the characteristics of the goods rather than their source. Nevertheless, our formulation is certainly capable of dealing with this concern through limited injunctive relief of precisely the kind *Champion* contemplated.<sup>286</sup> Specifically, while courts should not enjoin use of the plaintiff's mark altogether in these cases, they can fashion injunctive relief to ensure that both the source of the re-sold goods and the condition of those goods are clear.

Structured "least restrictive means" injunctions, such as those in *Tabari* and *Champion*, protect competing values in those trademark cases where we support consideration of limited types of confusion. They prevent the worst forms of confusion, but by allowing continued nominative use of the contested trademarks, they also ensure that consumers can receive facts useful for their decision-making and defendants can continue to market their products. The courts thus protect competition, information, and choice—not solely source identification.

There are many other reasons for restrained remedies in these situations. Federal Rule of Civil Procedure 65 and longstanding practice demand specificity in injunctions.<sup>287</sup> Traditional restraints on equitable power also require that courts tailor an injunction to the particular harm suffered.<sup>288</sup> The Supreme Court has rejected categorical rules for or against injunctions in patent cases,<sup>289</sup> and this principle would seem to extend to trademark cases.<sup>290</sup> Excessively broad prohibitions in trademark cases can even run

---

285 *Id.*; see also *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947) (discussing repaired or reconditioned spark plugs).

286 *Champion*, 331 U.S. at 131–32.

287 See FED. R. CIV. P. 65(d)(1) (mandating specificity in injunctive orders, including a requirement that they "describe in reasonable detail—and not by referring to the complaint or other document—the act or acts restrained or required"); see also *CPC Int'l, Inc. v. Skippy Inc.*, 214 F.3d 456, 459–61, 463 (4th Cir. 2000) (vacating trademark injunction for lack of specificity as required by Rule 65(d)). But see *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1297 (9th Cir. 1992) (upholding specificity of trademark injunction under Rule 65(d)).

288 See *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000) ("As with injunctive relief generally, an equitable remedy for trademark infringement should be no broader than necessary to prevent the deception."); *Forschner Grp., Inc. v. Arrow Trading Co.*, 124 F.3d 402, 406 (2d Cir. 1997) ("[I]t is well-settled that the essence of equity jurisdiction has been the power to grant relief no broader than necessary to cure the effects of the harm caused by the violation and 'to mould each decree to the necessities of the particular case.'" (citations omitted) (quoting *Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 646 F.2d 800, 806 (2d Cir. 1981))).

289 See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391–93 (2006) (requiring courts to use the traditional four-factor test for equitable relief in patent cases, and referring to similar practice in copyright cases).

290 See *Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 33 (1st Cir. 2011) ("Although *eBay* dealt with the Patent Act, in the context of a request for

afoul of the First Amendment's restraints on injunctions against speech, including commercial speech.<sup>291</sup>

Despite these incentives to retain equitable flexibility, modern courts often grant blanket injunctions somewhat reflexively in trademark cases.<sup>292</sup> The model permanent trademark injunction contained in the leading treatise exemplifies this approach.<sup>293</sup> Courts do so because they see the eradication of confusion as the most important element of the public interest and craft broad injunctions accordingly.<sup>294</sup> But at least in cases where the defendant's activity implicates important competition or communication values, injunctive relief can and should be much more limited, as it was in *Prestonettes*<sup>295</sup> and *Champion*.<sup>296</sup>

And courts should be content to act narrowly in the face of competing values because consumer understanding is *shaped* by law as often as it *shapes* law. Consumers adjust to the market before them. As a result, some kinds of confusion will dissipate over time. Current law assumes consumers under-

---

permanent injunctive relief, we see no principled reason why it should not apply in the present [trademark infringement] case.”). The *eBay* Court explicitly indicated that its rejection of automatic grants of injunctions applied in copyright cases as well as patent cases. 547 U.S. at 392–93. The net effect of *eBay* on trademark law may be limited, however, because reframing the allegations that led to liability often will satisfy the traditional four-factor test. See generally MCCARTHY, *supra* note 21, § 30:47 (arguing that courts already “rigorously made use of the traditional four-part equitable test mentioned by the Supreme Court in *eBay*” and so could continue their prior practices); Jennifer L. Kovalcik, *Preliminary Injunctions in Trademark Cases: Did eBay REALLY Change the Standard for Irreparable Harm?*, 29 THE COMPUTER & INTERNET LAW. 1, 6–11 (2012), available at [http://www.stites.com/content/uploads/learning-center/Kovalcik\\_PrelimInjuncTrademarkCases\\_CompIntLaw2012.pdf](http://www.stites.com/content/uploads/learning-center/Kovalcik_PrelimInjuncTrademarkCases_CompIntLaw2012.pdf) (collecting and analyzing appellate court cases post-*eBay*).

291 See *In re R.M.J.*, 455 U.S. 191, 203 (1982) (“[R]estrictions upon [misleading] advertising may be no broader than reasonably necessary to prevent the deception.”); Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 224 (1998) (“And at the very least, some trademark preliminary injunctions—such as those restricting noncommercial speech—cannot pass constitutional muster.”).

292 See generally Laura A. Heymann, *Reading the Product: Warnings, Disclaimers, and Literary Theory*, 22 YALE J.L. & HUMAN. 393 (2010) (contrasting trademark law with other areas of law in which warnings are more readily accepted).

293 See 5 MCCARTHY, *supra* note 21, § 30:12 (“Defendants . . . are hereby forever enjoined from using the mark \_\_\_\_\_, or any mark similar thereto or likely to cause confusion therewith, in the sale, offering for sale, distribution or advertising of \_\_\_\_\_ or similar merchandise and services at any locality in the United States.”).

294 See, e.g., *Abercrombie & Fitch v. Fashion Shops of Ky., Inc.*, 363 F. Supp. 2d 952, 968 (S.D. Ohio 2005) (finding a broad injunction in the public interest because avoiding confusion is “the paramount public policy underlying the Lanham Act”); *Big Boy Rests. v. Cadillac Coffee Co.*, 238 F. Supp. 2d 866, 873 (E.D. Mich. 2002) (“The policy behind protecting trademarks is to prevent the public from being misled as to the source or origin of the goods or services they are buying. ‘Trademark infringement, by its very nature, adversely affects the public interest in the “free flow” of truthful commercial information.’” (quoting *Gougeon Bros., Inc. v. Hendricks*, 708 F. Supp. 811, 818 (E.D. Mich. 1988))).

295 *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 369 (1924).

296 *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130 (1947).

stand relationships between private-label goods and national-brand goods in the drugstore aisle, primarily because everyone has experienced those marketing practices for a long time without any meddling from trademark law.<sup>297</sup> Given time, the same might be said about claims of initial interest confusion in online browsing.<sup>298</sup> Conversely, if consumers begin to believe that the use of a trademark in a movie requires the markholder's permission, that erroneous belief about legal requirements supports a perception that the markholder approved of the use—and in circular fashion gives rise to a potentially actionable claim of confusion.<sup>299</sup> When doctrinal rules eliminate this possible liability outright, they break the cyclical alteration of consumer perception.

This is, in our view, one important reason why disclaimers ought to be considered sufficient in some cases. Even if consumers sometimes disregard the legally required disclaimers, warnings, and other disclosures intended for their benefit,<sup>300</sup> we agree with Laura Heymann that criticisms of disclaimers in trademark cases are oddly disconnected from their widespread acceptance in other areas of law, where consumers are expected to read and process warnings.<sup>301</sup> Moreover, arguments condemning disclaimers in trademark injunctions generally proceed from a faulty premise by assuming that eradication of all confusion is a much higher priority for trademark law than any competing value such as competition or speech. In a situation like *Champion*

---

297 Dogan & Lemley, *Trademarks and Consumer Search Costs*, *supra* note 77, at 797 (explaining how the consumer search costs rationale has led courts to allow private-label brands to imitate branded trade dress).

298 See *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1179 (9th Cir. 2010) (“Outside the special case of trademark.com, or domains that actively claim affiliation with the trademark holder, consumers don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page—if then. This is sensible agnosticism, not consumer confusion.”); Dogan & Lemley, *Trademarks and Consumer Search Costs*, *supra* note 77, at 822 (“Trademark infringement requires more than likelihood of diversion—it requires likelihood of confusion. A court should not conclude that every use of trademarks in metatags or keywords does this. Particularly as technology advances, courts should consider whether the use, in context, is more likely to confuse or to add to the wealth of information that the consumer might think important. In making this decision, courts should consider whether the defendant was legitimately attempting, in a nonconfusing and nondiluting way, to capture viewers’ attention in the same way that vendors have traditionally done by placing like products next to one another on grocery shelves.” (footnote omitted)); Goldman, *supra* note 79, at 579 (“[O]nline searches differ from offline searches because the switching costs online are trivial throughout most search stages. . . . Internet searchers on the wrong path can hit the back button, pull down a bookmark, or type a new address in the address bar. With such low switching costs, few online publishers will cause searchers to reach the point of no return prior to an actual transaction.” (footnote omitted)).

299 See Gibson, *supra* note 193, at 918–19; McGeveran, *supra* note 14, at 27.

300 See, e.g., Heymann, *supra* note 292, at 412–13; Jacob Jacoby & Robert Lloyd Raskopf, *Disclaimers in Trademark Infringement Litigation: More Trouble Than They Are Worth?*, 76 TRADE-MARK REP. 35, 37 n.10, 55–56 (1986); Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 S.C. L. REV. 737, 742–43 (2007).

301 Heymann, *supra* note 292, at 396–97.

*Spark Plug*, the law has goals beyond protecting the integrity of Champion's trademark as a source identifier.<sup>302</sup> Any theory of fair competition should strive to inform consumers both that the spark plugs were originally made by Champion and that they have been reconditioned (communication). And it should give consumers access to both new and reconditioned products in order to meet different aspects of demand (competition). The balance between these goals will never be perfect, but there is no principled reason to tilt it routinely in favor of the anti-confusion interest.

#### CONCLUSION

Trademark doctrine has not kept pace with the steady expansion of rights at its core. As more and more behavior became potentially infringing, those rights intersected with socially beneficial uses of marks much more frequently. Such conflicts still arise only in a minority of cases, but the number will continue to grow as markholders' rights do. We have shown how and why trademark law, and particularly its single-minded focus on the eradication of all confusion, so far has failed to develop effective limiting doctrines for cases where a defendant's use raises important countervailing values like fair competition or open communication. When courts disregard or downplay these critical interests, consumers lose. For example, as we have discussed, broad trademark rights can suppress desirable design features, informative third-party advertising, or expressive depictions of companies and their brands. Even when final judicial outcomes eventually vindicate socially beneficial uses such as these, doctrine often burdens them with the risk of huge litigation costs that strongly discourage them.

This Article has offered ways for trademark doctrine to grapple with countervailing values more honestly and more efficiently. We argue for courts to identify the cases that raise these issues at the outset of litigation. We suggest that some categories of cases merit a categorical safe harbor against liability, while in others courts should analyze closely the actual harm to the plaintiff arising from a defendant's use. Finally, we urge courts to use injunctive relief creatively in these cases in order to maximize protection for both the source-identifying function of trademarks and the competitive or communicative benefits derived from defendants' uses of those marks.

Both of us have joined many other commentators and some courts who question the increasing scope and decreasing coherence of trademark rights. The approach in this Article complements the resulting proposals to focus trademark rights more sharply. It certainly does not substitute for efforts to better anchor modern trademark law in a clear rationale or to define boundaries for confusion. But we should not wait for sweeping reform of the *prima facie* trademark case as the sole protection for the competition and communication values discussed in this Article. Ambitious efforts may fail, and in any case they would not happen overnight. Limiting doctrines affect the subset of cases raising the most important problems. They provide concrete

---

302 *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 128–32 (1947).



tools courts can use to dispose of those cases fairly. Forcing courts to confront the clear problems caused by trademark overprotection in some identifiable cases probably increases their receptiveness to other improvements. Finally, even if trademark rights were much narrower, occasionally they still would come into tension with other interests. Granted, this represents something of a “belt and suspenders” method, but for sound reasons. Robust limiting doctrines are important regardless of whatever happens to the *prima facie* case or the definition of trademark rights in the future.

Confusion isn’t everything in trademark law. It is merely a heuristic to guide courts in identifying situations where ambiguity about the provenance of goods or services interferes with the market and distorts the overall information available to consumers. It is a means to an end. In many ordinary trademark cases, focusing on consumer confusion continues to work well. But at times, that focus undermines the very competition and communication values that justify trademark rights. We need straightforward limiting doctrines that put confusion detection back in its place—not as the purpose of trademark law, but as its tool.